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NOMINATION OF CONSTANCE BERRY NEWMAN

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

NOMINATION OF CONSTANCE BERRY NEWMAN TO BE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT

JUNE 6, 1989

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NOMINATION OF CONSTANCE BERRY NEWMAN

TUESDAY, JUNE 6, 1989

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:40 a.m., in room SD-342, Dirksen Senate Office Building, Hon. John Glenn, Chairman of the Committee, presiding.

Present: Senators Glenn, Roth, Stevens, Heinz, Bingaman, Wilson, and Kohl.

Committee staff assigned: Brian Dettelbach, Jane McFarland, Loel Solomon (Senator Glenn); Susanne Marshall, Jeff Steger (Senator Roth).

Chairman GLENN. The hearing will be in order. Today the Committee on Governmental Affairs meets to consider the nomination of Constance Berry Newman to be Director of the Office of Personnel Management. I have a lengthy statement that I will conclude later, but Senator Kohl is here, and he has a statement he wants to make this morning. He has to preside shortly over on the Senate floor, so I will yield to him for the first statement this morning.

OPENING STATEMENT OF SENATOR KOHL

Senator KOHL. Thank you. Thank you, Chairman Glenn. I am pleased to be here this morning to hear testimony to the extent that I can from Constance Berry Newman on her nomination to the position of Director of the Office of Personnel Management. I am scheduled to preside on the floor at 10 so I will not be able to stay for the duration of the meeting.

When I met with Ms. Newman in February I was impressed with her commitment to making improvements in the Federal workplace, and I certainly wish her the best of luck as she strives to carry out this daunting task.

But we all know that it is going to take a great deal more than luck to make meaningful changes in our Federal personnel system. In my opinion, no changes will be effective unless bolstered by the dollars needed to close the growing gap between Federal and private sector salaries. We have all heard it said before, but it bears repeating: you get what you pay for. The longer we wait before reforming the Federal pay system, the more our country will suffer as qualified and committed civil servants leave the Government for greener pastures.

In addition, management reforms are badly needed throughout the Federal Government. OPM can play an important role in providing leadership to the various agencies in the areas of recruit-

ment and retention, performance improvement and general oversight. The OPM must strive to make the Federal Government an attractive place to work so that all employees will take pride in their jobs and the American public will receive a greater return on its most valuable asset, the Federal work force.

Finally, I just want to add that I was pleased to become a cosponsor of the Chairman's Hatch Reform Act bill. Senator Glenn has worked hard on this important piece of legislation, and I look forward to working with him toward enactment in this session of Congress. I am hopeful that Federal employees will soon be able to exercise some of the basis democratic rights which they have long been denied, and I will do everything I can to help the Chairman to move this bill along.

In closing, I welcome Ms. Newman before the Committee this morning and offer to assist her in any way as she endeavors to take on this most difficult personnel job in the country. Thank you.

Chairman GLENN. Thank you, Senator Kohl.

Senator Pryor was going to be here this morning also. He has been called away to a leadership meeting and will get here later if he can. He wanted you to know that he was certainly planning to be here if the meeting had not occurred. He has a statement to be inserted into the record.

Senator Sasser was also unable to be here this morning and his statement will be inserted into the record following the statement of Senator Pryor.

[The prepared statements of Senators Sasser and Pryor follow:]

OPENING STATEMENT OF SENATOR PRYOR

In a statement released last fall, Presidential candidate George Bush noted:

"How well the tasks of government are done affects the quality of the lives of all our people."

He went on to say:

"Success in implementing policies and objectives depends heavily upon the expertise, quality, and commitment of the professional career employees of government."

That we face a crisis in rebuilding and maintaining the expertise, quality, and commitment of the civil service has been well documented in recent years. The Volcker Commission, the Hudson Institute, the 20th Century Fund, the National Academy of Public Administration and many others have outlined the difficult and complex problems we face in this area.

And, if one agrees with candidate Bush's statement that the quality of our lives is affected by the quality of the career employees of government, and I do, then this hearing to consider the nomination of Constance Berry Newman to be the fourth Director of the Office of Personnel Management (OPM) may well be one of the most important to be held during the 101st Congress.

Perhaps the first challenge to greet the new Director of OPM will be how to deal with the situation created by the withdrawal of a major insurer from participation in the Federal Employee Health Benefits Program. I suspect that, from this challenge, we will learn a great deal about the role of OPM, versus that of the Office of Management and Budget, on matters of importance to government employees.

I look forward to working with the new Director on this and the many other issues likely to affect the professional career employees of government.

OPENING STATEMENT OF SENATOR SASSER

Good morning, Mr. Chairman. I'd like to join you and the other members of the committee in welcoming the President's choice for Director of the Office of Personnel Management, Ms. Constance Berry Newman.

This nominee comes before us with a lengthy and distinguished resume of public service, going all the way back to 1962. She has served commendably in a number of senior management positions in government, including the vice-chairmanship of the

Consumer Products Safety Commission, Director of Volunteers in Service to America, and Assistant Secretary for Housing and Urban Development.

I know that I reflect the feelings of a lot of people when I say that this record of commitment to public service is just what the Office of Personnel Management needs at this point in time. It's no secret that the Federal worker's reputation has been taking a beating, to put it mildly, for a number of years now. And polls and a number of studies have demonstrated the effect this has had on the morale of the Federal workforce.

So I was pleased to note, Ms. Newman, in your written pre-hearing submissions to this committee, your commitment to improving the moral of Federal employees and the public's perception of government service in general. We need to address quite seriously what the Volcker Commission called "negative stereotypes of the civil servant, reflexive hostility toward government, and absent-minded 'bureaucrat-bashing.'" My own father was a Federal worker, the head of the Soil Conservation Service in Tennessee, and it is with pride that I remember the appreciation of the many people he was able to help.

This past April, I chaired field hearings of the Subcommittee on General Services, Federalism, and the District of Columbia. We heard testimony from high school students about their feelings toward a proposed national service program for young people. And I must say, some of their comments left me uneasy. Instead of a renewed spirit of public-mindedness, too often I heard, "What's in this for me?"—and this from some of our best students, the future of this country. We need to turn that around, to remind ourselves that public service is not a burden but a privilege. And I'm hoping, Ms. Newman, that your efforts will play a large role in moving us in that direction.

I'm sure you know, Ms. Newman, that this is a challenging time to assume the leadership of the Office of Personnel Management. You will be inheriting a number of difficult issues. Recruitment and retention of talented people, especially at the managerial level, is a critical priority. Closely tied to that is the question of comparability of government salaries, which now lag some 26 percent behind the private sector. In recent years, we have seen some test programs of the idea of so-called "locality pay," which would take local cost-of-living factors into account so that Federal workers are not underpaid or overpaid in comparison with their communities.

In addition, the Federal employee health benefits program is due for major oversight, review and change. This is the largest employee health program in the country and involves literally hundreds of benefit plans. There is a sense that the system needs to be streamlined considerably, and certainly that rising costs have to be controlled.

On that question, Ms. Newman—and on all the issues that will confront you if you are confirmed—you can expect the concern and interest, but also the support, of this committee. I am confident that ours will be a constructive partnership. I look forward to working with you, and restoring to government service the sense of esteem and satisfaction that should accompany its mission.

OPENING STATEMENT OF CHAIRMAN GLENN

Chairman GLENN. Committee rules mandate that an inquiry be conducted into the experience, qualifications, suitability and integrity of nominees. The Committee has received from Ms. Newman financial statements as well as detailed information on her educational background, employment record, and professional achievements. In addition, she has responded in writing to an extensive set of prehearing questions submitted by the Committee concerning the duties and responsibilities of the OPM Director's position.

Copies of the biographical information and pre-hearing responses will be placed in the record as part of this hearing and are available today upon request.[1] Ms. Newman's financial statements are also available for inspection by the public in the Committee office.

Committee investigators have reviewed the nominee's biographical and financial information. In addition, staff have examined the financial disclosure reports submitted by the Office of Government

[1] See p. 43 for biographical information and p. 56 for responses to prehearing questions.

Ethics to ensure that no conflicts of interest are present. I, as Chairman of the Committee, and Senator Roth, as distinguished ranking member, have reviewed the FBI background investigation report on Ms. Newman.

Finally, the nominee has been interviewed in private by designated Committee staff members prior to this hearing.

Before we begin, I would like to make a few comments on the importance of the position Ms. Newman, if confirmed, will occupy. The Director of OPM is the chief personnel officer of the entire Federal civilian work force. The responsibilities facing this work force are truly enormous for we entrust our professional civil servants with all the duties with which we are familiar, such as: keeping the air safe to breathe; cleaning up nuclear waste sites; managing air traffic; fighting the war on drugs; and conducting scientific research into the mysteries of life threatening diseases. In short, we depend on Federal employees in countless ways to protect our public health and safety.

Now there is little doubt that these jobs are increasingly becoming more complex and more demanding on the people who perform them. According to OPM's report on the future of the Federal work force, "Civil Service 2000," a growing share of Government jobs will fall into the highest skill categories. The Federal Government will face increased competition with other employers for a shrinking number of highly qualified employees.

And how will the Government fare in this competition? Well, a number of factors suggest that our efforts at recruitment and retention of such skilled people will fall short. Chief among these factors are fringe benefits that are no longer competitive with the private sector, the diminished public perception and reduced prestige of serving the Government, and growing morale problems within the Civil Service itself. In other cases, significant financial disclosure requirements, conflict of interest arrangements, and post employment restrictions—all designed to protect the integrity of public service—may also limit the professional opportunities of Federal officials should they leave the Government.

These items by themselves are major obstacles in our efforts to provide the type of professional and competent civil service our citizens have come to expect—and so rightly deserve. But when combined with the pay gap which Senator Kohl already mentioned, between the Federal work force and the private sector, this task becomes even more daunting.

Last year the President's pay agent reported that Federal pay for white collar workers now lags 26 percent behind comparable private sector wages. Unless steps are taken to address this pay gap, I do not believe the Federal Government's current and future work force needs will be met.

OPM itself reported last year that there were 35,000 Federal jobs it could not fill with qualified individuals. The 35,000 jobs were filled but not with qualified individuals. High-tech Federal agencies such as NIH and NASA are now performing an increasing share of their workload through contracting out arrangements. In these situations, they pay contracting employees up to double the Government's salary just to get the best people to do the job.

So it is absolutely essential that OPM provides strong and vigorous leadership in addressing these challenges. Such an effort, at a minimum, must include: rectifying the recruitment and retention problems now plaguing Government; addressing long neglected compensation and benefit issues; improving morale, productivity and training efforts within the Federal work force; and, enhancing the image and perception of Government service in the public's eye.

We will be looking to OPM and Ms. Newman for direction and initiative in working to resolve these very, very important issues.

I want to welcome you to the Committee this morning, and I look forward to hearing your thoughts about these concerns.

Senator Wilson.

Senator WILSON. Mr. Chairman, thank you. As I listened to you, I could not help but think that your very articulate comments had a familiar ring. This may be sort of an inside joke between you and me, but the Chairman and I spend a great deal of time together in another capacity on the Armed Services Subcommittee on Manpower and Personnel.

Chairman GLENN. Same problems.

Senator WILSON. Some of the comments about recruitment and retention seem to apply.

Chairman GLENN. That is right.

OPENING STATEMENT OF SENATOR WILSON

Senator WILSON. Mr. Chairman, I will because of the extensive response to a very probing questionnaire simply comment on the response. I would say that the nominee, Ms. Newman, comes with truly impressive credentials. She is, as the Chairman pointed out in his eloquent statement, faced with an enormous responsibility and a great challenge, and I feel confident that she is more than up to it.

She has a truly remarkable background. She has extensive managerial experience at high levels in Government. She has been involved in the private sector. She understands something of what the Chairman just said about contracting out, having conducted a study for the U.S. Department of Labor, Women's Bureau. And she has been involved in a number of efforts to improve the performance of Government and specific functions. Given Ms. Newman's familiarity with public service and extensive management and personnel experience, I am confident she will be an able chief personnel officer of the executive branch and leader of the continuing effort to rebuild the public service.

Both Ms. Newman's comments and the general framework that attend the responsibilities of the Director of the Office of Personnel Management have to do with encouraging the kind of people that we want to see in Government. As President Bush noted in his January 26, 1989, remarks to members of the Senior Executive Service, "Government service is a noble calling and a public trust." If we are to ensure that the public trust is placed in the most competent and able hands, we must attract the best and the brightest to Government service.

One of the specific concerns that I think is shared not only by the members of the Federal employee work force but by Americans in general is a concern with respect to the kind of financial security that specifically focuses on the availability of long-term health care. Increasingly, Americans face the gnawing anxiety that if they live long enough they may be rewarded by physical ailments that require some time in a nursing home or home visits by health care professionals. It brings to mind the famous comment of Clare Boothe Luce that no good deed goes unpunished.

One of the things that I hope the Bush Administration will pursue with great vigor is providing Federal employees with an opportunity to gain long-term health care insurance. In this area, the federal government can serve as an example and catalyst to the private sector in the design of compensation strategies. I have introduced legislation to offer nursing home and home health care coverage to federal employees who want it, legisation Mr. Newman and I have had an opportunity to discuss. This year my proposal enjoys the support of a bipartisan coalition of 53 Senate co-sponsors, and it will, in fact, be heard in this Committee.

I know that the Administration has not yet taken a position. The Reagan Administration supported similar legislation I introduced in the last session of Congress. And I really think that the Federal Government has an opportunity here to lead the way. I think that by making this very substantial benefit available at the option of Federal employees, the Federal Government literally can provide a model for other groups—both public and private—because the actuarial soundness of this plan is one that will interest the private sector. It will induce, I think, insurance carriers to compete for the new market federal employees represent. It will be capable of replication for not just governmental workers but for those in the private sector as well. What you need is a risk-sharing base broad enough to make this work. As long-term care insurance prices come down and the quality goes up, State and local governments and large employers like the University of California, the City and County of San Francisco, and the Pacific Telephone Company will gain an incentive to provide a long-term care benefit to employees.

So I hope that very early in your administration in this very important position we will be able to bring along not only the Bush Administration but the specific backing of your office for my long-term care proposal. This measure was developed by your predecessor, as a matter of fact, Constance Horner, who is now Under Secretary at HHS. And to get an idea of the need to date, less than 1 million private long-term care policies have been sold in the entire country.

Under my proposal, 655,000 Federal employees would be immediately eligible for long-term care coverage. So I will look forward to working with you on this specifically and on a number of other problems and opportunities that affect our Federal employee work force generally. It is true, as the Chairman has pointed out, that the future holds increasing challenges for Federal employees, and that increasingly higher skills will be demanded, reflecting the increasing complexity and high tech environment in which we find ourselves. So I wish you the best of good luck, and I look forward to working with you.

Chairman GLENN. Thank you. Thank you. We still have more opening statements. Senator Stevens, do you have any opening statement?

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. I would ask, Mr. Chairman, you print my opening statement in the record. I have some questions when you get to that.

Chairman GLENN. Without objection, it will be included in the record.

[The prepared statement of Senator Stevens follows:]

PREPARED STATEMENT OF SENATOR STEVENS

Mr. Chairman, I want to thank you for scheduling this hearing this morning.

We all know that many programs which directly impact the Civil Service are in trouble. We are unable to attract and retain the skilled people necessary to continue Federal programs. Fifty percent of our senior executives are eligible to retire this year—and many are leaving. College students whose skills are in demand consider the Federal Government the employer of last resort. The Director of the Office of Personnel Management must take the lead in proposing strategies and providing the necessary leadership in commencing efforts to make Federal employment more attractive, meaningful, and rewarding.

The cost of the Federal Employees Health Benefits Program is continuing to rise, both for the Federal Government and for the employee. Whether or not restructuring the program will solve the problem of rising health care costs remains to be seen.

Federal pay rates are insufficient in high cost areas and many support positions are unfilled. We need to address pay and recruitment/retention problems in a uniform manner. We are presently awaiting the results of a study commissioned by OPM on the feasibility of a locality pay system for General Schedule employees.

The Performance Management and Recognition System, PMRS, expires at the end of fiscal year 1989. This second try at rewarding Federal managers for above average performance needs improvement. OPM will be responsible for developing ways to revamp that flawed program.

I am particularly interested in a discussion about reforming the Hatch Act which restricts Federal employees from becoming involved in the political process in our country. No President in recent history has been willing to support changes to the current restrictions. I believe we now have an opportunity to work with the administration toward a middle ground.

There are many other legislative initiatives before the 101st Congress which will need your attention—S. 38, long-term care insurance; S. 277, child adoption benefits for Federal employees; S. 416, full cost of living adjustments for military and Federal retirees; S. 1071, authorizing repayment of student loans as a recruitment tool; S. 1072, providing for a demonstration project on flexiplace and facilitating job-sharing arrangements.

Mrs. Newman, your willingness to direct the Office of Personnel Management in the face of all of these major issues is commendable. I look forward to your comments and to working with you.

Chairman GLENN. Senator Heinz, do you have any opening statement before we move on?

OPENING STATEMENT OF SENATOR HEINZ

Senator HEINZ. Mr. Chairman, I have a brief opening statement. I would ask unanimous consent to put it in the record.

Chairman GLENN. Without objection, so ordered.

Senator HEINZ. I have to go to a hearing in Government Affairs. Not Government Affairs. That is where I am. Excuse me. You can tell what kind of a morning this is. I have got two more hearings, one in Finance and one in Aging. The one in Aging is at 10. So I would ask——

Senator WILSON. What is worse, Mr. Chairman, I have asked him to put in a statement for me in the Aging Committee. [Laughter.]

Senator HEINZ. I was going to put that in right now.

Senator WILSON. It certainly is a challenge to attend hearings held concurrently.

Chairman GLENN. Now you all know why we pull out little cards to look at. It is not to find out where we are going. It is to find out where we are. [Laughter.]

Senator HEINZ. Mr. Chairman, I might just say on a personal note, I have had the opportunity as I am sure many members of the Committee have to look over Ms. Horner's background, résumé, to meet with her, to discuss her—Newman.

You can tell it is a great morning for me. Next time I am not going to take Coricedin before I go to work. Ms. Newman. And to discuss with her her thoughts and ideas and plans, her commitment to good administration, personnel administration in particular, and while there may be some specific questions we want to submit for the record, I think on balance she is an excellent choice.

Chairman GLENN. Thank you. Thank you very much.

[The prepared statement of Senator Heinz follows:]

PREPARED STATEMENT OF SENATOR HEINZ

Mr. Chairman, thank you for holding this hearing to consider President Bush's nominee for Director of the Office of Personnel Management—Ms. Constance Newman. I want to welcome her to our committee this morning.

On February 28, I met Ms. Newman to discuss her qualifications for the OPM directorship and the priorities she would set for the office.

Ms. Newman has distinguished herself as a consultant and manager in numerous organizations in both the public and private sectors. Her wide-ranging experience and expertise make her an excellent nominee for this position. For over 20 years, Ms. Newman has been in major management positions within the Federal Government—as Assistant Secretary of the Department of Housing and Urban Development, Director of VISTA, and as a Commissioner of the Consumer Product Safety Commission. In the private sector, Ms. Newman has served as president of her own consulting firm.

After meeting with Ms. Newman, I believe she understands the importance of public service and will develop policies to attract the most qualified people to government work while retaining many of our dedicated Federal employees.

As chief personnel officer of the executive branch and as the President's primary adviser on human resources policy, the Director of OPM administers the Civil Service Retirement System which covers 4.1 million people, the Federal Employees Retirement System which covers over 800,000 individuals and the Federal Employee Health Benefits Program with is 4 million enrollees. With her background, I am sure Ms. Newman's initiatives in these areas will attract many to work for the public good.

Mr. Chairman, I am pleased to lend my suport to Ms. Newman's nomination as Director of the Office of Personnel Management. She is eminently qualified for this position and will carry out our Nation's personnel activities in the most effective and efficient manner.

Thank you, Mr. Chairman.

Chairman GLENN. Ms. Newman, for confirmation hearings, the Committee rules require the nominee be under oath while testifying on all matters relating to suitability for office, including the policies and programs which you plan to pursue in that position, so if you will stand.

Do you swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Ms. NEWMAN. I do.

Chairman GLENN. Do you have a prepared statement you would like to make?

TESTIMONY OF CONSTANCE BERRY NEWMAN, NOMINEE TO BE DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT [1]

Ms. NEWMAN. Yes, I do.

Chairman GLENN. Thank you.

Ms. NEWMAN. Mr. Chairman, and members of the Committee, I appear before you today as a former public servant seeking reinstatement. I seek reinstatement as a public servant because it is an honorable profession, one that allows its members to work for the common good, one that charges its members with preserving the democratic form of Government and one which requires that its members serve the public with excellence.

If confirmed, I will be returning to the profession where its members are clerks and astronauts, and its members have won almost two-thirds of the Nobel prizes for medicine and physiology in the last 25 years. If confirmed, I will be returning to a profession today of over 5 million people who have chosen to be the few to make the country work for the many.

I seek confirmation to serve as Director of the Office of Personnel Management for three basic reasons. First, because of the challenges of the position. Second, because there exists a firm foundation upon which to meet the challenges, and third, because there is a unity of leadership to meet those challenges.

With your indulgence, I would like to speak a moment about each of these reasons. Given what we know about the present and future demands on America's work force and the competition for quality human resources, there is a challenge. Hence, there is a need now more than ever before for the American people to understand and to respect what is required of our public servants. Public servants elected and appointed are called upon to address only the most difficult of this society's problems. These issues generally involve strongly competing interests and no solution to the problem can be addressed without serious consideration of the impact of such solution on the deficit. It is the public servant who must address the issues of housing the poor.

It is the public servant who must seek coordination of solutions to the drug problem. It is the public servant who represents this Nation around the world and who when necessary defends the Nation. And yet these efforts are often not appreciated. This situation leads to the challenge of convincing the public that there is a difference between public service and public servitude and only the former can be expected of any person.

One challenge, then, of the Director of the Office of Personnel Management is to communicate to America about the dignity and worth of public servants. On another level but equally important is the challenge of the systemic problems including but unfortunately not limited to those which govern the classification and compensation systems, strategies to ensure that the Government can recruit and retrain the best and the brightest, strategies to ensure good

[1] See p. 37 for Ms. Newman's prepared statement.

labor management relationships and that they are effective partnerships, strategies to ensure proper measurements of performance, and to decide that the merit principles are protected and that public servants adhere to proper and fair ethical standards.

All of these challenges that I have spoken of are important. However, the basic challenge for those concerned with good Government is that of building a public service which carries out the mission of Government with excellence, inspiring the confidence and respect and trust of the public, thus making public service the most exciting profession there is.

There currently exists a firm foundation upon which to build solutions to the challenges. Beginning with the Pendleton Act, and I will not go through all of the others, there are the laws on the books. There are the successes, and yes, there are the lessons learned from the mistakes, which provide the necessary foundation. The efforts of the Office of Personnel Management combined with its predecessor agency, the Civil Service Commission, have established among other things that merit principles can be protected equally as well with centralized and decentralized systems. What is key is the existence of proper controls.

We also know that recruitment, classification and pay strategies are only as effective as they represent and are responsive to the changing environment. We know that a genuine desire to have equal opportunity in the Federal work force will produce effective strategies which in the end will show positive results in numbers. But the foundation alone is not enough.

Leadership is required, and today leadership in rebuilding the public service is coming from many quarters. President Bush, as was noted earlier, has made clear his willingness and that of his administration to provide leadership for the public service. The success of any political leadership in implementing its policies and objectives depends heavily upon the expertise, quality and commitment of professional career employees of Government and the President has stated this on many occasions.

Members of Congress, individually and through committees, have expressed concern and desire to assist in the development of creative approaches to addressing major challenges. Opinion makers such as the Volcker Commission recognize the challenges as do employee unions and employees working individually. The opportunity to meet the challenges, the opportunity to build on the excellent foundation laid by others, the opportunity to work with the best of our Nation, these are the reasons I seek a positive recommendation for this Committee and confirmation from the Senate as the Director of the Office of Personnel Management.

It is for these reasons I seek a return to the ranks of those few who have chosen to make the country work for the many. I am now prepared to answer questions.

Chairman GLENN. Thank you very much. Ms. Newman, before I turn to other questions, I have three required questions I must ask you to answer. Number one, do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of Director of the Office of Personnel Management?

Ms. NEWMAN. I know of none.

Chairman GLENN. Number two, is there anything you are aware of in your background which might present a conflict of interest with the duties of your office?

Ms. NEWMAN. I know of none. There are none.

Chairman GLENN. Do you agree, without reservation, to respond to any responsible summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Ms. NEWMAN. Yes.

Chairman GLENN. We will go on, then. We will allow 10 minutes for each period of questions. All right. For the record also, are the answers to the prehearing questions, that have been submitted for the record, your own?

Ms. NEWMAN. I not only wrote them, I typed them. [Laughter.]

Chairman GLENN. There is a new day at the Office of Personnel Management. [Laughter.]

Almost everyone agrees that inadequate pay is the major obstacle to the Federal Government's ability to attract and retain workers. Last year the President's pay agent reported Federal wages now lag behind comparable private sector pay by 26 percent. For the past 11 fiscal years, Federal civilian employees have received wages much lower than the amount due to them under the Pay Comparability Act of 1970. This has caused the pay gap with the private sector to double in the last 9 years. Do you believe pay comparability with the private sector is still an attainable goal for the Federal Government?

Ms. NEWMAN. I believe that it must be. That it is extremely important that we recognize the value of public servants. That is only part of it. The other part is that we are not going to be able to compete unless we move Government pay closer to comparability.

The issue, however, is a larger issue. It would be all right if this session Congress brought about an increase of a certain percentage. But it is extremely important that we look at the system and the way in which we determine pay. It cannot be a one time effort. We must evaluate whether or not pay should be allocated based on the locality or the occupation.

We must determine whether or not it is extremely important to pay at entry levels different amounts depending upon the occupation. In other words, I think that everyone will agree that it is important that we move toward comparability, but what we all must strive for is a reevaluation of the way in which we determine pay and a revising, I think it is clear, a revising of the systems of paying all of the employees.

Chairman GLENN. Do you feel that the formulas we use for comparison, then, are not fair? That they do not properly indicate the comparability factor?

Ms. NEWMAN. Well, I am not so sure, Mr. Chairman, whether or not the formulas are problematic yet. My understanding of the way in which it has been operating in the past is that there are surveys conducted and that the pay agent has been making recommendations to the President who then makes recommendations to Congress, but for a variety of reasons those recommendations are often not accepted.

Chairman GLENN. The 26 percent figure that we quote is from OPM. Do you feel that—figure is not valid?

Ms. NEWMAN. Oh, I am not sure about that figure. It probably is valid, but the issue is more to what extent is it valid by localities. That 26 percent is across the board. And we do have a system now that is a single system throughout the Nation, and the issue is is that proper.

Chairman GLENN. Yes, I agree with that. It costs more to work in a Government job in New York City than it does in some remote village out in wherever. [Laughter.]

I am not going to get myself in a bind here. Make it Alaska. That is all right. In your prehearing answer on this subject, you noted that there is no budget neutral solution to the pay problem. Do you think it is possible to narrow the pay gap without substantially increasing Government spending?

Ms. NEWMAN. I should expand on that. When I said that there is no budget neutral solution, I mean no budget neutral solution in the short-term. If it is done right, and if we are paying quality people to do quality work, and if we are measuring it properly. And in the front end if we are determining what is expected of the personnel, then there should be increases in productivity. The productivity increases then should even out the cost of paying the additional for quality of people.

Chairman GLENN. I would agree with you, but is it most likely going to cost more in the budget in the short-run to obtain that long-term goal?

Ms. NEWMAN. Well, there are arguments made that if we change the system and look towards paying by locality rather than across the board as we do now that it is possible that it could be budget neutral. But to be honest with you, at this stage I have not read yet the draft report that has come in from the Wyatt Company that is doing a study for OPM. I have also not had a chance to review some of the reports, but I am not in a position to answer that question.

I know I would get into a lot of trouble if I said at this stage that it would be budget neutral.

Chairman GLENN. Yes. I just do not see how it can be budget neutral myself. I think the long-term area, that you suggest here, is one into which we really have to delve. We have a trillion dollar budget now, and yet we want to skimp on the people who are going to administer that trillion dollar budget and make it more efficient. I think we will save more in the long-run by putting pay up, getting the best type of people in, the best administration, as your statement indicated.

Two of the people upon whom this Committee has confirmation responsibilities, yourself, and Mr. Darman, hold two of the most powerful spots in Government. I think the head of the Office of Management and Budget is the second most powerful spot in Government, second only to the President. He is the one who puts the whole budget together, and, subsequently, you are the one in another powerful, very powerful position, who puts the people in position to administer that budget. And we have a trillion dollar budget, so I definitely agree with you on the long-term goals of this.

Would you expand a little bit on whether the ways in which we compare Federal pay with private sector pay? What changes would

you make? I know you have already specified locality changes, and I do not disagree with that at all, but do you feel that the rest of the formula is okay, and that we can rely on the figures we have been receiving so far?

Ms. NEWMAN. There have been those who have questioned whether or not we are making the proper comparisons based on occupational titles. That in conducting the survey we are using titles that are somewhat similar to titles in the private sector. However, the job responsibilities might be different. So that I think it is important to go behind the way the survey is being conducted at this stage to answer your question properly, Senator.

Chairman GLENN. Do you plan to use any different methodology in making those measurements?

Ms. NEWMAN. I would have to look into that. The methodology now has been used for quite some time. There have probably been efforts to alter it. I would have to study that.

Chairman GLENN. Yes. A number of witnesses who appeared before the Quadrennial Commission on Executive, Legislative and Judicial Salaries testified that the Federal Government faces some of its most significant recruitment and retention challenges in jobs that require highly skilled personnel. An official of the National Institute of Health, for instance, said his agency has not been able to hire a senior biomedical research scientist in 10 years.

President Bush has mentioned the 25 percent pay raise for Federal judges. According to the Washington Post, he may also propose comparable or slightly smaller raises for a small number of highly skilled Federal workers. Do you endorse this approach, or what reservations, if any, do you have about such a plan?

Ms. NEWMAN. Well, I think that it is clear that there are pay problems across the board, that the Government requires quality managers not only in technical fields but in other fields, not only in scientifically technical fields. The problem of paying the highly skilled is already being addressed often by the special pay rates. I recognize that NIH and NASA and some of the other agencies are saying that is not sufficient.

I guess in answer to your question, when and if I am confirmed, I would like to open discussions with the Administration that would go beyond the increase for judges and the small area of technical occupations.

Chairman GLENN. Do you think it is fair to give senior level public servants in the judicial branch a 25 percent pay raise while denying a salary increase to another equally important group because they work in the Executive Branch?

Ms. NEWMAN. Well, I do not think the people who were proposing it felt that they were denying it to the others, but probably were thinking more in terms of phasing and handling a very serious problem first and then, I think, there is also the recognition that there are needs for systems changes, recognizing that the whole way in which we look at compensation of the others needs to be evaluated.

And whether or not you go ahead and put in additional pay before you do that, I guess, is a legitimate concern.

Chairman GLENN. My time on this round is up. Senator Stevens.

Senator STEVENS. Thank you very much, Mr. Chairman. Ms. Newman, I want to congratulate you on the manner in which you have answered the prehearing questions. As a matter of fact, if my colleagues and I would only read them all, we probably would not even have to hold the hearing because you have answered questions in great detail. And there may be some redundancy in my questions despite the fact that I have read them because I think it would be important to bring them out now.

One that is not asked in that series of questions is the question concerning a proposal that I would like to pursue soon, and that is the concept of some flexible arrangements for Federal employees to meet our changing conditions in society. In my State, 65 percent of women with children work out of the home. And many of them are running into extremely high cost for day care. I think we could arrange alternative work sites and we could conduct some experiments through your agency to see how we might be more sensitive to the needs of the modern employee.

Have you looked at that concept? Are you willing to participate with us in some experiments to see how we might change the working conditions of Federal employees?

Ms. NEWMAN. Senator, I am very much interested in working on ways in which we ensure that the best quality people are able to work for this Government—if that means flexible work hours, or if that means working at home. It is my understanding that the Office of Personnel Management is looking at some demonstrations along those lines, and it may be that we are ready in some instances to move directly to programs.

Oftentimes we use demonstrations to delay moving to a policy, and the issue here is whether or not that will be necessary.

Senator STEVENS. Well, I would urge you to take a look at the bill that I have worked up which will expand the authority that you have to go into a flexi-place arrangement. I think it is needed at the present time.

Second, one of the things that we are running into in my judgment is the impact of student loans on the ability to recruit, as you put it, the best and the brightest. Young people coming out of the colleges and universities, are considerably in debt these days, and I have proposed that we see if we can find a way to give Federal agencies the authority to assume those loans and to, in effect, exercise some discretion about increasing compensation in the early years of employment to get them out of debt.

I would urge you to take a look at that because being a father of five who have already gone through college, I can tell you it is a difficult burden for many families today, and I think it hangs over these young people. They do not like to be in debt so they head for a much higher immediate pay opportunity as opposed to long-term career concepts. I would very much like to see you get involved in that.

Would you explore for us whether the Government might be ready to again do some experimenting with regard to student loan repayment?

Ms. NEWMAN. I will explore that in addition to the Volker Commission's recommendations for scholarships on the front end.

Senator STEVENS. That is the other end of the coin, yes. I think we could even try to hire some more people just out of high school, and give them some job opportunities that will enable them to continue their education while in Government employment. We do that here in the Capitol. I have had several people on my staff who have gone through college and law school while working for the Senate. It is possible. I do not think the Executive Branch does it as much as we do. And I think you should explore that.

Now I am compelled to get to another question—and I know you have answered this question in depth—concerning the Hatch Act. I am one who believes that it is possible now for us to face some of the demands of the Federal employees for changes in this Hatch Act without destroying the protections that were intended by the original Hatch Act against some of the activities that have taken place in the days when the Hatch Act was conceived. Compulsory political participation or compulsory political contribution is abhorred as much now as then.

But there are restrictions, and you have mentioned some of them in your answers that make no sense today. Have you had a chance to speak to President Bush about the Hatch Act and whether this Administration is now prepared to try and resolve this issue? Every president since President Truman has faced demands for changes in the Hatch Act, and we have made none that have been meaningful since that time.

Ms. NEWMAN. I have not spoken with the President on the Hatch Act. I do know that the Administration submitted a position on H.R. 20, I believe, which was a revision, rather a repeal—I think it was a repeal of the Hatch Act—this year. The Administration indicated that it opposed that particular legislation. I do not know where on the continuum the Administration is. I know that there is concern about protecting the rights of public servants against coercion, and I know you have that same concern. There is concern that the civil service should not become partisan, that the public interest should prevail.

On the other hand, there are those 3,000 advisory opinions or more, many of which are contradictory. Whether it is legislation or administrative action there needs to be some rationalization of what now happens under the Hatch Act. I will commit that one early action of mine, if confirmed, will be to determine and to work with the Administration to determine a position which is sensitive to the balancing of the concerns about protecting the civil service system and the rights of the individual employees.

Senator STEVENS. But it is not a new concern for this Committee. We have a compromise bill that has come out now. I think many of us have indicated we would be more than willing to work out even further compromise if it was possible to get a bill through that would even change a portion of the laws and regulations that currently really restrict the rights of Federal employees in my judgment, and I think this Committee's judgment, too.

We would like to work with you; I was the author of the bill that President Ford vetoed. It is not a new subject as far as this Committee is concerned. But the difficulty is that we seem to want to change so many things that we are never able to work out any

agreement with any Administration. I think that we ought to be able to do it this year. I really do.

The Chairman has already discussed pay reform, and I know it is going to be a difficult subject for you to deal with, particularly in view of the budget circumstances. And I know that you are familiar with the Volcker report. What I would like to ask is if you are prepared to work with those of us who think it is time that Congress stopped the linkage between congressional salaries, executive salaries and judicial salaries?

Now having asked you that, let me tell you in my judgment the linkage was not totally unwarranted. What it means is that the salary of a person in the Executive Branch and the Judicial Branch and the Congressional Branch is based on a relative compensation to those people who were in line—the district judges, the assistant secretaries—and members of Congress were on a par. So that if a person wanted to go to work for any one of those agencies, the pay of the administrative staffs of each were relative. We now face a situation where we cannot keep that linkage anymore.

And I not sure it is relevant. I think the Chairman has mentioned this concept of not being able to hire any real research scientists in the areas we are concerned about, cancer, AIDS and others. The linkage now does not make any sense particularly if you want to stay it. We have found that the Government has gone to the point of making grants to non-profit corporations who are working in Federal laboratories and conducting the same research and paying their people four and five times what they would be paid if they worked for the Government because we are not able to offer that new scientist, the new graduate, a sufficient compensation as they come out of school to get them to make a career commitment with us.

I think we have to get rid of linkage in the first instance if we are to solve this pay problem, and I would urge you to work with us to try and convince Congress we must change salaries this year without regard to the changes in congressional compensation, in my judgment.

Ms. NEWMAN. Yes. Senator, one of my concerns is that there is a deeper problem that I do not know if we can solve overnight and that is the one that I was trying to address in my opening remarks, and that is convincing the public of the worth of public servants, improving the image. It is the image as much as the actual performance that is a problem. In improving the image, the public becomes a constituency for public servants.

I think changing the linkage is going to be a very difficult task. And the good thing about this time is that the combination of this President and what is happening here on Capitol Hill and the Volker Commission may help to get the word out to the American public that their Government will not operate without quality public servants and they must be paid.

Senator STEVENS. Maybe you could help us with Congress along that line, too.

Ms. NEWMAN. Okay.

Chairman GLENN. I believe under our early bird rule, Senator Bingaman was next.

OPENING STATEMENT OF SENATOR BINGAMAN

Senator BINGAMAN. Thank you, Mr. Chairman. Ms. Newman, it is nice to see you here. I would like to talk about an issue that Senator Glenn and Senator Stevens both alluded to, and that is the whole issue of pay reform. In the last two Congresses, we have had legislation—I have sponsored legislation, in fact—to broaden the special pay rate program, to create a recruitment and retention bonus program, to make various changes to essentially try to expand what has been referred to many times as the China Lake model to more Federal workers.

And we have in each case failed to get that legislation passed. I plan to reintroduce it again this year, and I guess I would be anxious to know your views as to whether you can support legislation of that type, or if you have alternative legislation that you think would make some sense. It seems to me that each year that we delay doing something to build more flexibility into the Federal personnel system and to deal with this pay cap situation, each year the problems get worse. And I have already been contacted this year by James Fletcher, the Administrator of NASA, and the Director of NIH, and Admiral Watkins at the Energy Department with their concern that something be done.

So I would be anxious to get your response. It may duplicate what you have said earlier, but I would appreciate any comments you have on it.

Ms. NEWMAN. I think the first thing I would say, Senator, is that it is very possible that the China Lake demonstration project may represent where it is we need to go for these reasons. The provision of pay banding, allowing greater flexibility on the part of the managers to group rather than having all of the levels that we have used in the past may be helpful.

Second, China Lake has used pay for performance which is a concept that we have been attempting in this country in both the public and private sector to implement properly.

There are some who believe that that experiment there is working in that regard, which argues or could argue that that is the way to move with the system.

Whether or not continuing to use special rates as a band-aid approach or whether or not that is actually the wave of the future, I do not know the answer. It is possible and one could argue that for certain occupations, no matter what the pay system, we may always need to have the flexibility for special rates. On the other hand, it could be argued that if we go back and evaluate our classification and compensation systems and do it properly, we may not need special rate authority.

And I would like to have some time, not long, because I realize we do not have long, to look at that issue and get back with some proposals along with the Office of Management and Budget.

Senator BINGAMAN. Well, I appreciate that, and obviously we would need your help and want your help, if we are going to succeed with any legislation in this area. I would be anxious to get your comments on legislation we might put in this year in this area.

I would also like to ask about the revolving door legislation we passed last year. We have had some strong testimony in the Armed Services Committee and in this Committee about problems that exist with keeping or attracting people in key high level positions in Government because of the changes that were made in the revolving door requirements this last year.

I would be interested in knowing what you think needs to be done there? Do we need to once again look at that legislation in terms of amendments? I guess there are some who believe that if properly interpreted the legislation would not pose near the problem that it seems to be posing to people, but unfortunately it does not seem to be properly interpreted.

So what is your thought there? Is this something that we need to change or can we make it work within the existing statute?

Ms. NEWMAN. I am not comfortable answering that for these reasons. I think that it is clear that what we want is an ethical system, that we want people who are qualified and ethical to come into the system. We do not want conflicts of interest, and we do not want people using their positions for their own personal gain. Having said all of that, we may, and I am not sure about this, but we may have gone too far. However, it may be too early to know, in fact, whether or not we have gone too far.

But if it gets to a point where we are discouraging people who are the best qualified in a particular area because they come from a certain industry and know that industry and because there is the potential that that is the only place where they have an interest in returning after Federal service, if we are discouraging that by these set of rules and regulations, are we doing the best for Government? I am not too sure. It was easier for me to answer that question, oh, 10, 15 years ago when I was at the Product Safety Commission, and we were barred from working for the industries that we regulated 3 years.

And I think it is much more complicated now, and the reason I said I am not comfortable answering it is because it would be easy to say let us leave it and just tell people who have problems with that we do not need them. But I am not sure that is the proper answer.

Senator BINGAMAN. Well, I am sure you are well aware that the time is running on this issue and that our Chairman has proposed legislation which has been adopted to postpone the effective date of that—I think that was for a 60 day period, so that 60 days is running—and we need to make decisions as to whether we make some changes, or clarify the legislation, or what else can be done because it certainly is an issue that I hear a lot of complaints about. And I would think it would be something that we would want your early advice on as soon as you are in your new position.

I wish you well in this job. It is a tough job. That is all I have, Mr. Chairman.

Chairman GLENN. Thank you. Just as a follow up before I turn to Senator Roth here. In reference to the legislation we passed last year, I think interpretations put on it by some of the different agencies were absolutely wrong. The intent of the legislation was that people leaving Government could not work on the specific contracts on which they had been working while in Government. They

could go back. If they came from Rockwell, they could go back to Rockwell. They could work on other projects, other contracts, other projects, but could not work on the specific contracts they handled when they were in Government.

Now that was not the interpretation that was given to the legislation. To give time to help clarify this, we did, in effect, put a moratorium on execution of the legislation. But we had people, top level people, leaving over there across the river, at the Defense Department, before that May 16 deadline, just because they were so concerned about this. And it was a wrong interpretation of what was intended with that particular piece of legislation.

For instance, as someone said, if you put this interpretation on things, we could not run Project Apollo today. It would be impossible because what President Kennedy did was set a goal for the country. He selected a very tight handful of people and gave them the responsibility of accomplishing this goal. Those people, in turn, went out to industry and got the best brains out, brought them in, performed the job, did it ahead of schedule, and the people then went back to industry, from where they had come.

And now with our laws today, at least the way they are being interpreted, we could not do that. You would not bring people in like that and let them go back. They would not come to begin with because they would know they could not go back the same way. No one is going to sit here and call for less ethics in Government, but your point that we cannot go so far that it prevents Government from functioning is well-taken. Senator Roth.

Senator ROTH. Mr. Chairman, I have an opening statement that I would ask be included in the record.

Chairman GLENN. Without objection so ordered.

[The opening statement of Senator Roth follows:]

OPENING STATEMENT OF SENATOR ROTH

Thank you, Mr. Chairman.

I join you in welcoming Connie Newman before the Committee today. I believe President Bush has shown his sensitivity to all federal employees in choosing someone with Ms. Newman's background and experience in the federal sector.

Some of the early press coverage referred to the nominee as an "Up-Through-the-Ranks Personnel Chief." There can be no argument that starting as a GS-3 clerk-typist in 1962, and progressing to being nominated by the President of the United States in 1989 for this important position qualifies as "Up-Through-the-Ranks". It is important that federal employees be able to identify with the individual who is responsible for directing the government agency which makes decisions that impact their daily lives.

As the Chairman mentioned, the challenges facing Ms. Newman are great. We cannot ignore the fact that the government has recruitment and retention problems—certainly pay and benefits, particularly the costs associated with health benefits, must be reviewed. But also, a serious look at the direction of the workforce—and setting a blueprint for the future—is of paramount importance.

We have the benefit of several recently completed studies to assist in evaluating where we are and what direction we need to move in. No doubt, Congressional action will be required on many of the issues, so while there are tremendous challenges for Ms. Newman and the Bush Administration in providing leadership in this area, there is also a tremendous challenge for this Committee in achieving solutions that are in the best interest of both government and employees.

I had the opportunity to meet privately with the nominee and discuss a number of these issues.

One legislative initiative I continue to pursue is an "early out" proposal, which would open a one-time voluntary window to allow federal employees near retirement age to retire early. This type of proposal could result in substantial savings, and at the same time provide greater opportunity for younger federal employees, women and minorities. I suggest we look at this proposal, because I think in order to secure the kind of professional employees we need for the 1990's, we need to slim down the workforce. This provides an opportunity to do so in a manner acceptable to Federal employees and to the benefit of all.

I look forward to Ms. Newman's testimony today, and her confirmation by the full Senate.

Senator ROTH. I do want to welcome you, Ms. Newman. I am delighted that the President has selected someone of your background, one who as the newspapers have said, has worked her way up, because I think it gives you a sensitivity and a rapport with the Federal employees that is essential. I would like to mention a number of points. One of the things I was particularly interested in while reviewing your answers to the pre-hearing questions, is that it seems to me that this is a time where we need some innovative answers. We cannot just build on the past, because we all know the information age has changed everything greatly.

One of my concerns, of course, is that we are having difficulty in recruiting and retaining Federal employees. Let me start out by saying I am fully aware of the view that the people we have in Government are as good as you get anywhere. Sure, there are some drones as there are in any group. But it is has been my experience that those who have come on a temporary loaned or detailed basis, from the Executive Branch to my office, have been extraordinarily bright and able people. Thus, I applaud your interest in trying to do something about the public image.

This negative public image is partly due to the problem of the politician who finds it very fashionable to attack the bureaucracy. I think some of the problems are with the rules and regulations that control the bureaucracy that prevent innovative, bright people from doing their job. But one of my concerns is, of course, to attract good people. In that regard, compensation is critically important. I think that means in turn that we have to take a hard look to the size of the Federal Government. As you know, I have been an author of legislation called "Early Out," which would provide a compassionate means of letting those who want to opt out do so and giving them certain benefits in return.

It would also provide greater opportunity for minorities and women, because it would open up many positions. I am not going to ask your opinion today, but I do hope that you will take a very, very careful look at my proposal. I think advanced technology raises some serious questions as to whether we need to slim down as a means to improve pay and compensation and provide better opportunities and working conditions for our personnel.

Let me ask a question of you on behalf of Senator Wilson. I am a cosponsor of his legislation. As we all know, one of the serious problems for older Americans is the cost of nursing home care. Senator Wilson has sponsored, authored, and I have cosponsored a proposal of his that was developed by the Office of Personnel Management to allow Federal employees to convert equity from their group life insurance plan to long-term care insurance at no cost to the Federal Government.

Under this proposal, insurance coverage for nursing home care and home health care would become immediately available to roughly 655,000 Federal employees and their spouses. What we are interested in learning are your broad views on how we can best develop long-term care insurance, the role you believe OPM could play in this area, and what you consider some of the important principals that will guide long-term health care policy.

Finally, let me say that I attach not only critical importance for this to our Federal employees, but it does seem to me that if it were tried and worked successfully, it might be a very valued demonstration project for the private sector as well. Do you care to comment now?

Ms. NEWMAN. Yes. Senator, I am aware of the long-term care proposal and of the work that the Office of Personnel Management and Office of Management and Budget did on that proposal toward the end of last session. It certainly appears as if it is time to move the next step which would be getting and hearing from the public and from interested parties on their views. I understand that there is a great deal of support and what I guess may be at issue are some of the more narrow points as to what should be the index, whether it should be the pay of the general schedule or inflation rates, whether home health care should be included in it.

In other words, regarding the basic concept I think there is support in the Administration. And that it would be my job if confirmed to move to the next step which is to clarify the position and present that to you.

Senator ROTH. Well, thank you. I will look forward to, and I know Senator Wilson as well, will look forward to receiving those comments. One of the concerns that has already been addressed, but I would like to underscore is this whole question of ethics. I frankly do not think you can legislate ethical behavior, and I think inherently that is one of the problems.

But I think what the Chairman said is of critical importance, but that it is not generally recognized that the course we are going absolutely rules out some of the most competent, brightest and best people from serving in Government. There were a group of people, for example, in the 1950's, people like—well, Nitzi was one of them, Lubbuck, a whole group of people who went in and out of Government, extraordinarily strong brilliant leaders. John, I do not think we could attract people of that kind to government service, anymore because we are not only talking about conflicts of interest, but we are talking about perceptions of conflict of interest. There has got to be some common sense in this area if we are going to really develop the kind of environment that will bring in the kind of people that we need to address the problems of the 1990's and the next century.

So I would hope that in this area we would not continue down the road of complexity and over-regulation that makes it almost impossible for anyone to look with excitement and desire toward Government service. Would you care to comment on that?

Ms. NEWMAN. Yes, I think that not only should we look at the extent to which we might be over-regulating, but the problem is a basic one that I alluded to earlier. I think that we have to convince and have to explain to the American people what it is, in fact, that

public servants do and what is required of public servants. Then would make it easier for the public to understand what might fall across the line as being right and what might be wrong.

I think part of the problem we have is that there is confusion out there for a number of reasons about what is to be expected of public servants. And if we could help clarify that, we could have an easier environment in which to say we can move back from some of this over-regulation in the area of ethics. And that is easier said than done.

Senator ROTH. Well, I know that there has been a lot of anguish in the private sector as well about this problem. I know one company at home some time ago—this is not recent—but they agonized for months as to whether they should permit one of their employees to join the Federal Government on a temporary basis because this individual had certain skills the Government wanted. There was genuine concern that if they did and he returned, as he obviously, ultimately would want to do, or they thought he might, it could create great problems.

I think this is a problem we have got to address if we really want to get the kind of people that we need, particularly for some of the most difficult challenges we face at this time. If I may, Mr. Chairman, I would just like to make one further comment.

Senator Stevens has talked about the Hatch Act. I have not been a supporter of the reform in the sense that I have felt it critically important that we keep patronage and partisan politics out of it. But I do have to say that this, again, is an excellent example of over-regulation where nobody, but nobody, knows whether what he or she is doing is proper. So at a very minimum, I think we have got to simplify the rules and regulations.

Part of the problem in all these areas is that we are always trying to eliminate that last violation. We are not going to prevent all violations of the laws, but we have got to make them simple enough that the average person can understand what he or she can do and to do so confidently. I do not blame some Federal employees for being angry. The way it is working now is incomprehensible.

I am delighted that you are undertaking this task and look forward to working with you, Ms. Newman.

Chairman GLENN. Just as a follow up on what Senator Roth has been saying on the Hatch Act. You know we looked into this, and I initially was not in favor of any real changes in the Hatch Act, not substantive changes. We wanted to just clean up a few little things. Then the more I got into it, the more I realized that we certainly needed some major overhauls of the Act.

When we started considering the Hatch Act, or when the Hatch Act was put in place a long time ago, three-quarters of the Government employees were political appointments. That was it, about three-quarters. And now it has reversed itself. Now about three-quarters are not subject to political appointment. We have protections in other areas, also.

Meanwhile there are over 3000 individual administrative rulings. During one of the hearings we hold on the Hatch Act, witnesses pointed out some of these rulings, one concerning the size of a sign you can put up in your yard. You cannot put up the same size sign, for instance, that you can carry at a political rally.

You can have a fundraiser in your home, but you cannot make an individual contribution someplace else. There are all sorts of conflicting rulings like this, some 3000 of them. There are just a morass of ridiculous bureaucracy run wild, and we need to correct it at the very, very least.

So I think we have covered the Hatch Act enough today. I will not go ahead and continue much in that particular area. Let me get back, though, to what Senator Roth was talking about on the technical and science pay about which I have been concerned. We have had press reports of the Administration's pay proposal for scientific and technical personnel. But we have not had any bills submitted to the Congress yet. I do not know what the Administration is actually going to submit.

To escape the civil service pay cap, a number of executive agencies, including Department of Energy, NASA, and NIH have proposed their own separate pay plans. Now I opposed that. Last year when some of those plans were going to be introduced on the floor as amendments, and they wanted my agreement on it because of this Committee's responsibility, I refused. I said we should take this on across the length and breadth of Government.

Now I am not so sure I was right because we turned down pay raises here, and there is this linkage existing, de facto linkage. It's not in law, but de facto linkage has been established between congressional pay and other pay, and I am not sure I was right in holding that down.

There may be such specialized requirements for NIH or for NASA or for the scientists in other Government agencies, Department of Energy, that are unique. Sufficiently unique that maybe we cannot write an across-the-board Government-wide civil service pay scale that covers everybody in all these specialized areas.

So I do not know whether I am changing my mind on my position of last year or not, but I see that we have a tremendous need. If the only way we can address it is agency by agency, then I do not know that I am going to fight that. I would like your views on this issue. I would prefer to take the overall approach, but we have not been willing as a Congress to deal with it, and the need is there. What are we going to do? What is your approach to that?

Ms. NEWMAN. Well, Senator, I think before answering the question as to whether or not we ought to go agency by agency, I think it is time to say that we do not need much more study. It is time for the Office of Personnel Management and the Office of Management and Budget to come up with a proposal for the design of the system. The system design may, in effect, end up being a recommendation that certain agencies have total flexibility. That is a possibility. But I am uncomfortable with decisions being made about special agency approach without having that done prior to the analysis of what the total system should look like.

And I think that we have no longer the luxury of further research and demonstrations on that, and we need to pull together the information, much of which is there from previous studies, the Naval Systems study, and China Lake and the Wyatt study, and the work of the Volcker Commission. I would like if confirmed to have at least some leeway to come back with options based on the information that we have.

Chairman GLENN. Do you have any idea how long it would take because the hemorrhaging is now? It is not something in the future. A couple of years ago we talked about the coming problem and that it was a growing problem. But now it is a problem, and have we got it. It is in our laps right now. We cannot get good people to fill positions.

Let me give you another example. DARPA, Defense Advanced Research Projects Agency, is such a prestigious group because they attracted only the very top-notch scientists and some of the brightest minds in the country. They had a waiting list in past years trying to get in DARPA because the 4 or 5 years that the average person spends there was not only very good for them, but it was also good for the country. I was over there and had a briefing just a few weeks ago. I make it a habit to do that once a year just to make sure what projects are running and keep up on them. I found out that now they are having trouble even getting people to agree to come into the agency because of this pay problem.

So the problem is here. It is not coming in the future. It is here now, and we cannot wait for another year long study on something or other. I think that is one of the early items that you must take action on it.

Ms. NEWMAN. I have not, as you know, yet been spending time at the Office of Personnel Management, but I have reviewed and have talked with some of the staff members. It is my understanding that there is a report from the Wyatt Company that is due in July. And the staff itself is conducting about four or five different studies in order to come up with options. The Office of Management and Budget recognizes that we no longer have time to study. So when you ask how long, I am uncomfortable saying whether it is July or August or September, but I will say that there is a recognition that during this next budget cycle we should, recognizing the problem, come up with the solution or rather a solution should be suggested in that process.

Chairman GLENN. Well, as I indicated, I am willing to take the Government-wide approach at this point. But unless we get some action pretty soon, the problem out there is so dire that I am about to switch. And I am going to start pushing for agency by agency from this end of the avenue if we cannot get something that stops the difficulty we are having with technical people.

Former OPM Director Don Devine has commented that the Government needs more political appointees and more centralized control. Now we could discuss all day whether that is the way we want to go or not. But another matter this Committee discussed with Director Devine was the extent and propriety of the OPM Director engaging in political campaign activities.

You have stated, in your prehearing responses, that you will not serve as a permanent representative on any type of political committee. Fine. You also said that you, as a political appointee, would be available in a limited way to perform traditional political activities such as participation in political events.

I certainly respect your answer, but it raises some questions. I would like to know, for the record, what political events you consider to fit the definition of traditional political activities. For instance, it is one thing to attend a national convention every 4

years. It is another thing to make individual campaign appearances. It is yet another thing to appear at individual fundraisers, or to be in your office at OPM making phone calls soliciting funds for political purposes.

How do you define that? Could you give us a better interpretation? We do depend on OPM to, without fear or favor, administer the law to Democrats, Republicans, Independents and whoever may be involved in Government on a fair and honest basis. How do you define what political activities with which you, as OPM Director, will feel comfortable?

Ms. NEWMAN. Well, I think in my answer also I indicated that my primary responsibility is the conduct of the business of the Office of Personnel Management because, first of all, that is the commitment at this time. But I think being in a more direct response to your question, I would not think that much more than speaking at political events on issues under my responsibility would be legitimate.

In other words, I know that in other positions that I have held, there have been on occasions political gatherings when people have wanted people to come in from the Administration to talk about the issues and the Administration's positions on those issues.

Chairman GLENN. Well, would you, for instance, in your speaking on matters of OPM and management and so on at a political event, which is fine, restrict those only to Republican political events?

Ms. NEWMAN. Anybody who asks me to speak.

Chairman GLENN. I may request you one of these days.

Ms. NEWMAN. Okay.

Chairman GLENN. You do not restrict that just to Republican events?

Ms. NEWMAN. No, I would not. As a public official, I would not do that.

Chairman GLENN. All right. Okay. What is your position on the question of random drug testing for Federal employees? Do you believe testing should be only done for cause or can it be random across the board?

Ms. NEWMAN. I think that one restriction on testing should be dependent upon the type of position held. My understanding that the regulations now, particularly those affecting the Office of Personnel Management, require testing only as to those people holding positions where there is a sensitivity test. The investigators, as far as OPM right now is concerned, are in the category of people to be tested.

Given the fact that there are cases now pending in California, and I think in Illinois as far as OPM is concerned I doubt that I will have the leeway to make the determination on coverage. It is my understanding based on what the courts have already decided that it is fairly narrow. You are asking my personal views. The balancing off of individual rights and ensuring that the Government's work is done well leads me personally to limit, to desire to limit the extent to which testing takes place. Testing should not take place other than for cause and when certain types of positions require or mandate the assurance that there is no drug use.

Chairman GLENN. My time is up for this round. I may want to follow up with other questions on this subject later. Senator Roth.

Senator ROTH. During the past 2 years, the average health insurance premium for non-Postal Federal employees has risen an average of 31 percent and 26 percent. Do you believe these increases represent a fundamental flaw within the program? What do you believe are the major problems with the current health system and what plan of action do you anticipate from OPM?

Ms. NEWMAN. The only way in which I am able to answer the question, Senator, is based on my review of a number of studies that have been done on the health benefits plan—the Congressional Research Service and the Tower Study done for the Office of Personnel Management. Both studies indicate that there are flaws in the system, and that possibly the adverse selection or the risk segmentation is problematic. The fact that the system is designed in such a way that the most healthy can choose the benefits with the least cost and those who have the potential of being sick can all be grouped in the same plan does not allow for the concept of the pooling to work.

Therefore, there are problems in the way in which the system is working. There is some question as to whether or not the way in which the Government in the past has been determining its premium level using only the 6 major carriers as opposed to weighting it with the HMOs and the other carriers is problematic.

I notice that the Congressional Research Service, however, says that no matter what is done with the system, the cost will probably not be reduced, and the problems will not be reduced if there are not also reductions in benefits and more controls over the providers. The Tower Report, on the other hand, suggests that a redesign of the system, possibly minimizing the number of carriers and greater efficiencies may be an approach.

I do not know the answer. What I know is given what we have known already and the fact that Aetna, one of the major carriers, has now pulled out. Aetna is a major carrier not in terms of having a large percentage of the employees having selected that plan, but a major carrier because it is one of the major insurers in the country. In the very early time, if confirmed, I must address the issue of the health benefits system. And whether or not the system needs to be revamped totally or better controls on the system, I do not know.

Senator ROTH. Well, unfortunately, the problem is not limited to Federal employees. It is a fairly broad one, a very broad one. As you are well aware, many Federal employees complain that they have to wait 6 or more months to have their retirement annuities begin because it is taking that long for the Government to process their retirement.

My colleague, Senator Heinz from Pennsylvania, has introduced legislation that would speed up this process which I support. What do you think we can do? What can OPM do to make this period shorter?

Ms. NEWMAN. My understanding, Senator, is that this has, in fact, been a problem in the past, and that in the last year the Office of Personnel Management did a number of things in terms of assisting the agencies in learning how to get the processing

quicker and in monitoring the agencies because the problem is not so much that of the Office of Personnel Management, but at the outset the retirement information has to come from the various agencies and that was taking some time.

What I have been told is that once the monitoring and the technical assistance is on line, I am not sure that legislation will be required.

Senator ROTH. Let me say that whether or not it requires legislation, I am not sure. But in any event, I think it is important that something be done. I just think it is unconscionable. If this were a private employer, Congress would be sitting up here screaming about the inequities, the unfairness. You know at the very time these people are going on retirement, it is a great drop in compensation anyway. Then to have this extended period where they not only do not know what they are getting but do not get anything, I think has to be reformed. I would hope that you would pay some special attention to this problem.

Ms. NEWMAN. One thing I forgot to mention. I think the staff people at the Office of Personnel Management are also developing ways in which checks can go out initially based on their estimates of what that check would be, and then a correction is later sent. With that the time is shortened. I think I remember that that is taking place.

Senator ROTH. Well, I think that would be helpful. A lot of people when they retire are moving into retirement homes and so forth, and they have a great need for their compensation at that time. So that in the interest of equity, I would hope that we would, that you would address this early on. Thank you, Mr. Chairman.

Chairman GLENN. Thank you. Back to drug testing again, so we can flesh out your views on it just a little bit. In your answer to the Committee's prehearing question on OPM's role in Federal drug testing policy, you stated that OPM should develop the policies in consultation with Department and agency representatives dependent on court rulings. Now you also mentioned court rulings just a moment ago.

I do not know that we really want to wait through the court procedures, which may drag on for a long, long time in the States, before we make some decision on this. Could you expand on that a little bit?

Ms. NEWMAN. Senator, I think——

Chairman GLENN. Let me add just one specific question, if I might. Pardon me, but you mentioned positions of sensitivity. Is there a definition of such positions now? Are there lists of civil service positions, such as air traffic controllers, something else, something else, something else, where safety is of paramount importance? Do we have any such lists now?

Ms. NEWMAN. My understanding is that agency by agency there have been developed some lists. I know for the Office of Personnel Management, for example, the investigators were the only category falling on that list. I have not seen the list myself. I would like the opportunity to get back to you with a better answer on that.

Chairman GLENN. What is your own personal view on this issue? Do you object to random drug testing or across-the-board drug testing? That can be expensive so sometimes the funding gets to be a

problem. But as far as requiring people to submit to drug testing; does that give you any problem?

Ms. NEWMAN. I have a problem with the individual rights, but I also have a recognition of the responsibility of Government and what I would say, then, is that we need to be sensitive to limit testing for cause and for those positions which we are assured that there is a certain sensitivity.

Chairman GLENN. Well, would you limit it just to cause?

Ms. NEWMAN. No, I would not just limit to cause.

Chairman GLENN. Would you say we could implement random testing in certain cases?

Ms. NEWMAN. In certain cases. I could. I would say that.

Chairman GLENN. In certain categories of employment; is that right?

Ms. NEWMAN. Right. And then if you come back, though, and ask me which, I would say air traffic controllers would be an example, but if I were to list them I am not in a position to do that now.

Chairman GLENN. Well, that is one I am sure about which we are going to want to do some more talking.

Ms. NEWMAN. I am sure.

Chairman GLENN. It is a very sensitive issue, as we are all aware, but nevertheless a very important one also. I do not personally see much difference between the hard drugs we keep referring to and the use of the legal drug of alcohol in some of these areas. This Committee has taken the lead in looking into the fact that some 23,000 people each year are killed out on the highways in alcohol related deaths. And it is classified as a drug. Alcohol just happens to be legal instead of illegal, and we will be continuing a set of hearings shortly on that.

But random drug testing to me is not one that I have any problem with at all, particularly in these other sensitive positions.

One of the most significant tasks you will have to undertake is a determination of what the Federal Government's future work force needs will be. Now you have the Civil Service 2000 Report, and there are some changing demographics of the work force. We have a changing nature of the work itself. You noted that in your response to questions that Civil Service 2000 was just the first step toward Federal work force planning.

What sort of follow-up do you plan? How do we better define this? Can this be a continuing assessment of what the needs are and not just once every 5 years when things get in horrible shape. Which would then mean we do a "2005" report and then we do a "2010" and then we will continue on that path. Is there any way we can avoid this and do a continuing study of these needs so we keep up with what the problems are going to be and address them?

Ms. NEWMAN. Mr. Chairman, I think what is required is that Government agencies working with the Office of Management and Budget because of the budget responsibilities have a responsibility on an ongoing basis to define their goals and objectives and determine the resources, both human and dollars, needed to carry out those goals and objectives. Planning should not be limited to the immediate budget cycle, but it should be planned out for a number of years so that Work Force 2000 Study is a base to give everyone an idea of what the demographics will possibly be by the year 2000.

But that is not what is most important in terms of planning for the future and the planning for the future has to be in the context of what are the specific goals and responsibilities agency by agency.

Chairman GLENN. You have stated that OPM should be involved in the implementation of recruitment activities, but only in a "limited" way, to use your words. 70 percent of the personnel officers that were interviewed by GAO for their recent report, however, said they desired increased OPM recruitment efforts. What do you see as the most significant recruitment challenges for OPM in the Federal Government? How much do you plan to get involved in recruitment activities to help these agencies out?

Ms. NEWMAN. I think that OPM has a responsibility for determining what the resources are and how to best approach and be successful in approaching the various resources, the colleges, the vocational schools, the different professions. But that this information should be shared along with providing technical assistance to the agencies and the ways in which they can be successful with those various pools.

I do think, however, that it is important that a great amount of the recruitment should be delegated. OPM has a responsibility for developing the general test and the general requirements, but that the specific requirements and the actual dealing with the source of candidates for the jobs is better done by the agencies, if the technical assistance and the general guidelines are properly provided.

Chairman GLENN. Senator Stevens mentioned child care. There are other things in non-compensation programs, child care is only one of them. On-site job care, parental leave, flexitime are also important in Government's attempt to be a good employer and meet the needs of a changing work force. A number of reports have concluded these programs will become increasingly important in attracting workers to the Federal Government.

In your response, though, to the Committee's prehearing question on the subject, you stated you were not sure "how much further the Government can do beyond its present efforts." Would you expand on that a little bit? If it were determined that the Federal Government was behind the private sector even in efforts to accommodate its work force with these kinds of programs, and many suggest that this may be the case now, do you think we have to rectify that situation as part of increasing competitiveness with the private sector?

Ms. NEWMAN. Yes. I probably should not use the word "efforts." It is the present policies, which will allow the Federal Government to do what it needs to do. There is the possibility of providing child care and flexible work time and time for working at home. What is required is a greater implementation of those policies that are on the books and a sharing of information as between what works and does not work, as between both the public sector where there have been successful programs and the private sector.

If it appears as if I suggested that the present efforts were sufficient, that is not my position. I do believe that there is probably no need for additional legislation. It is just that more work needs to be done in the context of what is already on the books and the policies that have been stated but possibly not implemented.

Chairman GLENN. The move of women out of the home and into the work place, which has occurred within the lifetimes of most of us here, has caused very major change in the work force. A report prepared by GAO in 1987 found that the average salary in 1986 for men working in the Federal Government was $30,590. The same figure for women was reported to be $21,190. Now this raises an important question. Are women in the Federal civil service system being treated fairly by the Government's compensation system or have they just not moved along evolutionary process that has to take time to occur?

You told the Committee, in response to a question on pay equity for women, that, "the entire system for determining compensation" should be reviewed. Is OPM the appropriate agency to conduct the review and do you plan to commission such a review?

Ms. NEWMAN. I believe that the entire system of compensation and classification, rather both those systems ought to be reviewed. Where inequities are found in that review process, they should be corrected. It is very legitimate for those reviews to take place by OPM, but if there are other resources that can get to the information faster, then we should use those other resources.

I would like to add that I think that it is extremely important that you understand that I do have a sensitivity to equal pay for equal work, and that there ought to be better opportunities for women and minorities in the work place. When I looked out at the meeting of the Senior Executive Service in Constitution Hall, I must say that there was a picture of very few women and minorities. Now there might be a reason for all of that.

Whether there is a reason or not, there is an obligation on the part of the Office of Personnel Management to see that that is not the case in the future.

Chairman GLENN. Let us discuss the health benefit program for a minute. Aetna's withdrawal from the Federal Employee Health Benefit Program comes at a very critical time. OPM is, I believe, currently involved in negotiating next year's rates with the various carriers. The next step in this process would be to calculate the Government contribution, using the so-called "Big 6" formula. Then, in August, the plans would begin printing their brochures for the 1989 open season.

Now, however, one of the historic "Big 6," the indemnity plan administrator, is out of the program. What do you plan to do and how much time do you have to act on this?

Ms. NEWMAN. Well, I do not know where this is in the process, but I know that the Office of Personnel Management had already decided, before this even happened with Aetna, that it was important to use a weighted average and not base the premiums solely on the "Big 6." So that there would be an average used taking into consideration the rates of the HMOs and the union plans.

The withdrawal of Aetna certainly requires that whether it is by legislation or administrative decision, the way in which that formula is calculated will definitely have to change for this next open season. What will I do? One of the first things if confirmed will be to address the issue of the health benefits program generally and determine whether or not there is anything more we can do this open season other than changing the premium rate determination.

It may be that based on these studies that we have, there are some other thing that can be done this round.

Chairman GLENN. How do you feel about another party stepping in as a Government-wide indemnity plan administrator?

Ms. NEWMAN. I am not prepared to answer that.

Chairman GLENN. OMB, as I understand it, has been exerting some pressure to use this situation as grounds for moving to a weighted average formula. Have you had the opportunity to examine that?

Ms. NEWMAN. I have not talked with the Office of Management and Budget. I have read some of the material from OPM on it, and had one briefing with the staff, but it is very complicated, and I am not prepared to say whether or not the weighting is proper, whether the HMOs are properly represented or not.

Chairman GLENN. How do you view the current FEHB program, the health benefits program? It is generally acknowledged that FEHBP is beset by major structural problems, and in need of reform. There are several reports to that effect, as well as a number of hearings and surveys conducted by the agency that have documented the problem, and urged reform of FEHBP. Most recently, reports by CRS and GAO have come to similar conclusions about the nature of the problems facing the Federal Government's health insurance program, and the need for structural reform. This is a follow up to my remarks about the Aetna situation.

Could you give us a general view of the situation and, more than just specific comments on the Aetna situation, where you see that whole Federal Employee Health Benefit Program going? Will there be a whole new plan? When can we expect to receive it? Would it include a Medigap proposal? Any details you can give us of your thinking along that line?

Ms. NEWMAN. I think, Mr. Chairman, where we are now, we have the study from the Congressional Research Service and we have the Tower Study. The Office of Personnel Management has held hearings or did hold hearings following the Tower study so there is a great deal of information that has come in from the carriers and from the unions and from the individuals.

I think probably the next step is to sit down with those studies and the staff at the Office of Personnel Management to come up with options, costing those out, working with the Office of Management and Budget and putting together a proposal. Part of that proposal would have to deal with the timing and whether or not we can do anything more before this next season than change the formula.

I think there is recognition on the part of anybody and everybody dealing with the health benefits system that it must be reviewed and revised. There apparently is not agreement on the way in which it should be revised. That would be something I would have to look into early.

Chairman GLENN. According to a recent study of FEHBP by Congressional Research Service, Federal payments for health insurance by the average Federal employee are approximately $1100 per year less than employer payments for health insurance of a typical private counterpart. Now, for a number of years, the Reagan Administration proposed to cut spending for FEHBP by changing the

way the Government calculates its contribution to employees health insurance costs. This would decrease the Government's contribution and increase the out of pocket payments of Federal employees and retirees.

The Bush Administration adopted that same proposal in its fiscal 1990 budget submission. As Director of OPM, do you lend support to that change?

Ms. NEWMAN. I think, Mr. Chairman, that I am not comfortable taking just that piece of it. I think I need to look at the whole system and determine whether or not there is a need to alter the benefits allowed which then would affect the premium. So I would hope to be able to come back to you with that.

Chairman GLENN. All right. Fine. We would appreciate any further follow up you may be able to give us for our hearing record, if it could be done that soon. We would appreciate it. I know it may take some time to really get into the details of this. The CRS report also concluded there were only 3 viable options for reducing the Government's cost of this program.

One was a reduction in benefits. Number 2 was an increase in the employees' share of health insurance contributions. Number 3 was the imposition of direct cost control management programs on the carriers and health care providers. You may want to take those into account. Those are some of the options we do not like to really consider, but they are some of the things we will be forced to consider unless major reforms are made in the FEHB program.

In 1986 Congress provided for a lump sum pension agreement, whereby Federal retirees could elect to receive their entire retirement contribution in one large payment. Each year, however, elimination of the lump sum option is threatened by efforts to control the budget deficit.

Do you view the lump sum provision as a permanent part of the Federal Retirement System now?

Ms. NEWMAN. I do not know. I recognize that the Administration's proposal was to remove that option. It is my understanding that the negotiations now appear to provide that that option will stay in two parts for this round, but that may not be the case in the future. That is one of those issues where there is a pulling and tugging to reduce the deficit and addressing the interest of the public servants who for some time now have looked forward to that as an option.

You know I do not know where I come out. I know the Administration is very much interested in removing that as option.

Chairman GLENN. In your answer to the pre-hearing questions, you set out some guidelines for the contracting out of Government jobs. Some of the things you said should be included in proper criteria for contracting out decisions are: that no public policy or legal reason bars it; that it should be cost effective; and 3, that there is an effective way to monitor the contracted services.

First let me give me just a little bit of background. President Reagan, when he came in, wanted to move everything possible, or gave the view of moving everything possible, out of Government. He wanted to move as many functions out of the Federal Government and back to State and local Government as possible.

And I did not disagree with some of that. I thought, though, that it went too far in expecting all these other people to pick up some of these loads within the time frame in which they were expected to pick them up. But this contracting out of Government jobs is one of the things that we discussed a lot at that time.

What is your view on this? Do you favor more or less contracting out? Is it efficient or does it give us more flexibility? And I guess I go back in my thinking, at least, way back, I guess it was 25, 30 years ago, when was the Rand Corporation first formed. I think it was mainly a response to our inability to attract good people into Government and the Pentagon. So they set up the Rand Corporation as sort of an employment dodge, if you will, so they could contract with Rand to do certain things. Then Rand could employ the scientists and the research people necessary at whatever they had to pay them to be competitive.

We find that same thing being proposed now, or being used now by NIH. They go out and contract for certain medical experiments because they cannot attract the bio-scientists into Government to do the jobs. So we are contracting more and more out because of our inability to attract good people into Government.

I have not made up my own mind yet which way I think we ought to be going on this. Could you tell us how you feel about contracting out? Do you think we should be doing more in Government or more contracting out?

Ms. NEWMAN. Mr. Chairman, I do not think I support contracting out as an end in of itself. I do not necessarily think that it is important that we contract out for a reason other than it is the best way to provide whatever service we are talking about, the most cost effective way of providing a service.

And if it is being done to address the compensation problem, I am not comfortable with that. I think we need to handle the compensation problem separately, and see to it that we can bring about proper compensation for people to carry out the Government's business.

On the other hand, there are certain tasks, either short-term tasks or certainly highly specific tasks that are not needed on a regular basis, where there can be an argument for contracting out. So my point is this—I think that contracting out is one of the tools that the Government should use in taking care of its business.

But there should be the continuous evaluation as to whether it is best to have that business done by contracting out or by the human resources in the Government. And that that is the only question that should be asked. What is the best way to carry out the mission?

Chairman GLENN. Well, do you think we have effective mechanisms now to monitor services that are contracted out?

Ms. NEWMAN. That varies, and some of that varies because of the qualifications of the people who are doing the monitoring work. For example, in the Defense Department, as you know, it is all tied in with the people who are involved in the procurement activity there. So in some instances we may be monitoring it properly and in some way we may need to do a great deal of work.

But I think that unless we know that the monitoring and the oversight is proper, we should then not contract out.

Chairman GLENN. Do you think OPM should be involved in performing the oversight function of monitoring?

Ms. NEWMAN. Monitoring the contracting out? I think each agency would have the responsibility. I think OPM and OMB together should work out the overall guidelines and the criteria and monitor it to the extent to which the various agencies comply with the guidelines. But I think that the agency by agency determination should be made as to whether or not contracting out makes sense to accomplish its goals and objectives.

Chairman GLENN. Have you had any discussions with the OMB concerning the management function? We have been pushing them to put more emphasis on the "M" in OMB. The law was changed many years ago to provide that OMB perform follow-up management oversight. Now, in some ways, that gets into competition with OPM. This would be one example of it outside monitoring of contracting out, for instance.

I would think there is a lot of overlap between yours and OMB's responsibilities. Have you had any discussions with them as to how you will work out those accommodations?

Ms. NEWMAN. Yes, Mr. Chairman, I have had conversations with people at OMB about the way in which the two agencies might work together. I think that we will not have the luxury of having a turf battle so the extent to which we can work out in front what it is that we are going to do on our own and what it is we are going to do together, who is to take the lead, the better off we are.

However, that never works unless there is continuing communication, and I am very comfortable with the people that I have been working with at OMB. We will have continuing communication. It is important that we minimize confusion that will be brought upon the rest of Government if OMB and OPM are not working together in the area of the management issues.

Chairman GLENN. Many believe that the next OPM's Director's efforts to decentralize personnel functions will benefit Federal personnel management in two respects. One, the delegation of more administrative personnel functions to the agencies will free OPM resources to focus on policy issues and develop long term human resource policies.

And number two, such a decentralization of authority will give agencies greater flexibility to hire and promote employees. You have stated it would be important to develop clear guidelines on the types of personnel functions that should be decentralized. What is your philosophy on the decentralization of personnel functions to the agencies and can we expect to see more of this under your directorship?

Ms. NEWMAN. I think to the extent that the merit principles are protected and that to the extent that the human resources are managed properly, decentralization ought to be brought into play. I think to the extent that the personnel managers and management at the various agencies have the tools that they need and the information that they need to run their personnel operations, they should do so.

I do not think that the reason for decentralization is to free up resources for OPM. I think more importantly decentralization should take place because that will be the most effective way to

manage the human resources. Having said that, in fact, it will free up resources which will allow OPM to spend its resources on the larger issues, in the policy development, in providing technical assistance and oversight in a decentralized system.

Chairman GLENN. Can you give us any specific idea of your candidates for decentralization?

Ms. NEWMAN. Well, already as you know, there has been a greater decentralization of recruitment. There has been greater decentralization of some of the placement authorities. I think more of the classification can be decentralized. There has been decentralization, a great deal of decentralization of training. That to me is a little problematic in that in looking at the training and employee development system right now, it does not seem that it is as coordinated as it might be.

That does not mean that I necessarily believe that it ought to be centralized, brought back into OPM. But I think that OPM has a greater responsibility for rationalizing the system to be sure that there is available the training needed to develop managers and that each part of the training system is in line to produce the best managers.

So training, though decentralized, requires some more coordination on the part of OPM, in my view.

Chairman GLENN. If you delegate, then, as you indicated in your response to prehearing questions, that would mean OPM has to do an improved job of monitoring and a better job of oversight to accompany the increased delegation. Do you feel that OPM presently has the resources to perform this additional oversight or are you going to need more people and an increased budget to properly do your job?

Ms. NEWMAN. I do not know the answer to that question. My understanding is that the office has revised the way in which it conducts evaluation. If there is greater decentralization, that probably should free up resources. I think what is more important is to look at the way in which we are conducting the monitoring and the oversight and then determining what is the best strategy. Whether or not conducting statistical studies or combination of that or on site is required I am not sure. But it is certainly something that we would have to study.

Chairman GLENN. We have covered a lot of ground here this morning, and I will be winding down here. We are going to end shortly, but on a more general note, much has been made about the President's meeting with members of the Senior Executive Service within a week after his inauguration. I certainly applaud his action as an indication of a different attitude, an improved attitude of this Administration toward Federal workers.

I think we are going to need that bully pulpit of the Presidency, if we are to reverse some of the morale problems and make Federal service as attractive as you and I both would like to see it. I think the President must be involved with this if the public attitude toward the Federal work force is to be turned around.

Have you had the opportunity to discuss this with the President, and do you have any commitment from him that he is going to be continually on this? I think his support is vital. I know it will be difficult for you as Director of OPM, to march into the Oval Office

and say, Mr. President, here is what you have to do, period. But I hope you do have sufficient access, or have the President's assurance that you are going to have sufficient access. I also hope that his commitment was not just a one-shot deal a week after inauguration, and will be an ongoing interest of the President making sure that Federal workers do have his full support. I think that is very important. Have you talked to the President about this?

Ms. NEWMAN. Yes, Mr. Chairman, one of the reasons I was comfortable in accepting his intent to nominate me was the conversations that I held with him about his commitment to the public service and his recognition of the importance of the career public servant.

And I know from those conversations that he intends to do everything in his power to bring about the changes that need to take place. It will be the obligation of the Office of Personnel Management and the Office of Management and Budget to properly staff his actions and to give him the information he needs to be effective in changing and rebuilding the public service.

Chairman GLENN. Are there any things you need from us? Do you need additional support? Is there any legislation that you need to help do your job, as you see it now? Do you need an increased budget?

Ms. NEWMAN. It is premature for me to say. I have just looked at the budget, but to be honest with you I am not able to determine where or how it needs augmentation or changing.

I am not prepared to say that.

Chairman GLENN. Well, we hope that you will avail yourself of the openness of this Committee, our willingness to entertain private meetings, public meetings, hearings, whatever you want, in the interest of getting the job of OPM done. This is the Committee of oversight. We like to know of problems as they come up in advance, either confidentially or whatever. And we would welcome the opportunity to discuss these things with you whenever possible. We can guarantee our support in working with you in trying to get things done.

We are trying to arrange a markup, off the floor, late today, hopefully after one of the votes. We will try to get the Committee together. We have a couple of nominations that are due to be voted out. Bill Diefenderfer at OMB and Mike Farrell, D.C. judge. We may be able to waive our rules on that and vote you out today, too. I cannot guarantee that, but I will make every effort to do so.

In any event, I hope we can get your nomination voted out and over to the floor just as fast as we possibly can so you can be full-fledged on duty. Thank you very much for your cooperation all during this hearing process, not only the hearing, but in the questionnaires. I know the lengthy meetings that we have to have on some of these things are not the most pleasant in the world, but they are necessary for all of us. They guarantee we keep good people, like yourself, in Government.

Thank you. The hearing will recess subject to call of the Chair.

[Whereupon, at 11:45, the Committee adjourned, subject to the call of the Chair.]

APPENDIX

REMARKS
CONSTANCE BERRY NEWMAN
BEFORE THE COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
JUNE 6, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE

I APPEAR BEFORE YOU TODAY AS A FORMER PUBLIC SERVANT SEEKING REINSTATEMENT.

I SEEK REINSTATEMENT AS A PUBLIC SERVANT BECAUSE IT IS AN HONORABLE PROFESSION - ONE THAT ALLOWS ITS MEMBERS TO WORK FOR THE COMMON GOOD - ONE THAT CHARGES ITS MEMBERS WITH PRESERVING THE DEMOCRATIC FORM OF GOVERNMENT - AND REQUIRES THAT ITS MEMBERS SERVE THE PUBLIC WITH EXCELLENCE.

IF CONFIRMED, I WILL BE RETURNING TO THE PROFESSION WHERE:

- ITS MEMBERS ARE CLERKS AND ASTRONAUTS; AND
- ITS MEMBERS HAVE WON ALMOST 2/3RDS OF THE NOBEL PRIZES FOR MEDICINE AND PHYSIOLOGY IN THE LAST 25 YEARS.

IF CONFIRMED, I WILL BE RETURNING TO A PROFESSION TODAY OF OVER 5 MILLION PEOPLE - WHO HAVE CHOSEN TO BE THE FEW TO MAKE THE COUNTRY WORK FOR THE MANY.

I SEEK CONFIRMATION TO SERVE AS THE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT FOR THREE BASIC REASONS:

FIRST, BECAUSE OF THE CHALLENGES OF THE POSITION

SECONDLY, BECAUSE THERE EXISTS A FIRM FOUNDATION UPON WHICH TO MEET THESE CHALLENGES; AND

THIRDLY, BECAUSE THERE IS A UNITY OF LEADERSHIP TO MEET THE CHALLENGES.

WITH YOUR INDULGENCE, I WOULD LIKE TO SPEAK A MOMENT ABOUT EACH OF THESE THREE REASONS.

GIVEN WHAT WE KNOW ABOUT THE PRESENT AND FUTURE DEMANDS ON AMERICA'S WORKFORCE, THE COMPETITION FOR QUALITY HUMAN RESOURCES PRESENTS A CHALLENGE.

HENCE THERE IS THE NEED NOW, MORE THAN EVER BEFORE, FOR THE AMERICAN PEOPLE TO UNDERSTAND AND TO RESPECT WHAT IS REQUIRED OF OUR PUBLIC SERVANTS.

PUBLIC SERVANTS - ELECTED AND APPOINTED - ARE CALLED UPON TO ADDRESS ONLY THE MOST DIFFICULT OF THIS SOCIETY'S PROBLEMS. THESE ISSUES GENERALLY INVOLVE STRONGLY COMPETING INTERESTS AND NO SOLUTION TO THE PROBLEMS CAN BE ADDRESSED WITHOUT SERIOUS CONSIDERATION OF THE IMPACT OF SUCH SOLUTION MAY BE ON THIS NATION'S DEFICIT.

IT IS THE PUBLIC SERVANT WHO MUST ADDRESS THE ISSUES OF HOUSING THE POOR. IT IS THE PUBLIC SERVANT WHO MUST SEEK COORDINATION OF SOLUTIONS TO THE DRUG PROBLEM. IT IS THE PUBLIC SERVANT WHO REPRESENTS THIS NATION AROUND THE WORLD AND WHO WHEN NECESSARY DEFENDS THIS NATION. . . AND YET THEIR EFFORTS ARE OFTEN NOT APPRECIATED.

THIS SITUATION LEADS TO THE CHALLENGE OF CONVINCING THE PUBLIC THAT THERE IS A DIFFERENCE BETWEEN PUBLIC SERVICE AND PUBLIC SERVITUDE AND ONLY THE FORMER CAN BE EXPECTED OF ANY PERSON. ONE CHALLENGE OF THE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT THEN IS TO COMMUNICATE TO AMERICA ABOUT THE DIGNITY AND WORTH OF PUBLIC SERVANTS.

ON ANOTHER LEVEL, BUT EQUALLY IMPORTANT LEVEL IS THE CHALLENGE OF SYSTEMIC PROBLEMS, INCLUDING, BUT UNFORTUNATELY NOT LIMITED TO:

1. SYSTEMS WHICH GOVERN CLASSIFICATION AND COMPENSATION.

2. STRATEGIES TO ENSURE GOVERNMENT CAN RECRUIT AND RETAIN THE BEST AND THE BRIGHTEST.

3. STRATEGIES FOR INSURING THAT LABOR-MANAGEMENT RELATIONSHIPS ARE EFFECTIVE PARTNERSHIPS.

4. PROPER MEASUREMENT OF PERFORMANCE.

5. DECIDING WHAT SYSTEMS SHOULD BE IN PLACE TO <u>PROTECT</u> THE MERIT PRINCIPLES AND ENSURE THAT PUBLIC SERVANTS ADHERE TO PROPER AND FAIR ETHICAL STANDARDS.

ALL OF THE CHALLENGES THAT I HAVE SPOKEN OF ARE IMPORTANT ONES. HOWEVER, THE BASIC CHALLENGE FOR THOSE CONCERNED WITH GOOD

GOVERNMENT IS THAT OF BUILDING A PUBLIC SERVICE WHICH CARRIES OUT THE MISSION OF GOVERNMENT WITH EXCELLENCE. . . INSPIRING THE CONFIDENCE AND RESPECT AND TRUST OF THE PUBLIC THUS MAKING PUBLIC SERVICE THE MOST EXCITING PROFESSION THERE IS.

THERE CURRENTLY EXISTS A FIRM FOUNDATION UPON WHICH TO BUILD SOLUTIONS TO THE CHALLENGES THAT EXIST.

BEGINNING WITH THE PENDLETON ACT OF 1883 THROUGH THE CIVIL SERVICE REFORM ACT OF 1978 - THERE ARE THE LAWS, THERE ARE SUCCESSES . . . AND YES THERE ARE LESSONS LEARNED FROM MISTAKES WHICH PROVIDE THE NECESSARY FOUNDATION UPON WHICH TO BUILD.

THE EFFORTS OF THE OFFICE OF PERSONNEL MANAGEMENT COMBINED WITH THOSE OF ITS PREDECESSOR AGENCY, THE CIVIL SERVICE COMMISSION HAVE ESTABLISHED AMONG OTHER THINGS THAT:

1. MERIT PRINCIPLES CAN BE PROTECTED EQUALLY AS WELL WITH A CENTRALIZED OR DECENTRALIZED SYSTEM. WHAT IS KEY IS THAT THE EXISTENCE OF PROPER CONTROLS TO MONITOR THE IMPLEMENTATION OF THE EXISTING LAWS.

2. RECRUITMENT, CLASSIFICATION, AND PAY STRATEGIES ARE ONLY AS EFFECTIVE AS THEY ARE RESPONSIVE TO THE CHANGING ENVIRONMENT.

3. A GENUINE DESIRE TO HAVE EQUAL OPPORTUNITY IN THE FEDERAL WORKFORCE WILL PRODUCE EFFECTIVE STRATEGIES WHICH IN THE END WILL

SHOW POSITIVE RESULTS IN ACTUAL NUMBERS.

THE FOUNDATION ALONE IS NOT ENOUGH. LEADERSHIP IS REQUIRES. AND TODAY LEADERSHIP IN THE REBUILDING OF PUBLIC SERVICE IS COMING FORM MANY QUARTERS.

PRESIDENT BUSH HAS MADE CLEAR HIS WILLINGNESS AND THAT OF HIS ADMINISTRATION TO PROVIDE LEADERSHIP FOR THE PUBLIC SERVICE. HE HAS STATED THAT:

- THE SUCCESS OF ANY POLITICAL LEADERSHIP IN IMPLEMENTING ITS POLICIES AND OBJECTIVES, DEPENDS HEAVILY ON THE EXPERTISE, QUALITY AND COMMITMENT OF THE PROFESSIONAL CAREER EMPLOYEES OF GOVERNMENT.

- HIS APPOINTEES WILL WORK CLOSELY WITH CAREER CIVIL SERVANTS TO PROVIDE THE TEAMWORK NEEDED TO IMPLEMENT HIS POLICIES AND TO MANAGE MORE EFFECTIVELY NECESSARY PROGRAMS ACROSS GOVERNMENT.

MEMBERS OF CONGRESS, INDIVIDUALLY AND THROUGH COMMITTEES HAVE EXPRESSED CONCERN AND A DESIRE TO ASSIST IN THE DEVELOPMENT OF CREATIVE APPROACHES TO ADDRESSING THE MAJOR CHALLENGES.

OPINION MAKERS, SUCH AS THE MEMBERS OF THE VOLCKER COMMISSION, RECOGNIZE THE CHALLENGES AND ALREADY THEY HAVE BEEN KEY IN IDENTIFYING RECOMMENDATIONS. THESE IMPORTANT LEADERS ARE PREPARED

TO CONTINUE TO ADDRESS THE PROBLEMS AND DEVELOP VIABLE SOLUTIONS.

EMPLOYEE UNIONS, EMPLOYEE ORGANIZATIONS, AND EMPLOYEES ACTING INDIVIDUALLY ARE SERIOUSLY SEEKING SOLUTIONS TO THE CHALLENGES.

THE OPPORTUNITY TO MEET THE CHALLENGES. . . THE OPPORTUNITY TO BUILD ON THE EXCELLENT FOUNDATION LAID BY OTHERS. . . THE OPPORTUNITY TO WORK WITH THE BEST OUR NATION HAS TO OFFER . . . THESE ARE THE REASONS I SEEK A POSITIVE RECOMMENDATION FROM THIS COMMITTEE AND CONFIRMATION FROM THE SENATE AS THE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT.

IT IS FOR THESE REASONS I SEEK A RETURN TO THE RANKS OF THOSE FEW WHO HAVE CHOSEN TO MAKE THE COUNTRY WORK FOR THE MANY.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A - BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)

Constance Ernestine Berry (nee) Newman

2. Position to which nominated:

Director, Office of Personnel Management

3. Date of nomination:

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4. Address: (List current place of residence and office addresses.)

Home: 1101 St. Paul Street, #1904
Baltimore, Maryland 21202

Temporary office: 1630 Connecticut Avenue N.W., # 202
Washington, D.C. 20009

5. Date and place of birth:

July 8, 1935
Chicago, Illinois

6. Marital status: (Include maiden name of wife or husband's name)

Divorced from Judge Theodore R. Newman, Jr.

7. Names and ages of children:

None

8. Education: List secondary and higher education institution, dates attended, degree received and date degree granted.

Institution: Tuskegee Institute High School
Tuskegee, Alabama
Dates Attended: 1948 to 1952
Degree received: High School Diploma
Date Degree was granted: 1952

Institution: Bates College
Lewiston, Maine
Dates Attended: 1952 to 1956
Degree received: Bachelor of Arts
Date Degree was granted: 1956

Institution: University of Minnesota Law School
Minneapolis, Minnesota
Dates Attended: 1956 to 1959
Degree received: Bachelor of Science in Law
Date Degree was Granted: 1959

9. Employment record: List all jobs held since college, including the title or description of job, name of employer, location of work, dates of employment. (Please use separate attachment, if necessary.)

EMPLOYMENT RECORD
(Beginning with the present.)

Position: Consultant
Employer: Republican National Committee
Location of Work: 1825 Connecticut Avenue, NW,
Washington, D.C. 20003
Dates of Employment: 4/88 - 9/88 and 12/88 - 1/89

Position: Deputy Director, National Voter Coalitions
Employer: Bush-Quayle '88
Location of Work: 733 15th Street, NW
Dates of employment: 9/88 - 11/88

Position: Housing Advisor
Employer: Cooperative Housing Foundation
Location of Work: Maseru, Lesotho
Dates of Employment: 8/87 - 4/88

Position: Consultant
Employer: U.S. Department of Labor
Location of Work: 200 Constitution Avenue, NW,
Washington, D.C. 20001
Dates of Employment: 8/86 - 8/87

Position: Consultant
Employer: Coopers & Lybrand
Location of Work: 1800 M Street, NW, Washington, D.C. 20036
Dates of Employment: 6/86 - 8/86

Position: Consultant (Part-Time)
Employer: Equal Employment Opportunity Commission
Location of Work: 2410 E. Street NW, Washington, D.C. 20560
Dates of Employment: 7/84 - 6/86

Position: Consultant (Part-Time)
Employer: Brimmer & Company
Location of Work: 4400 McArthur Blvd, Washington, D.C. 20007
Dates of Employment: 11/84 - 12/84

Position: Consultant (Part-Time)
Employer: African Development Foundation
Location of Work: 1724 Massachusetts Avenue, NW
Washington, D.C. 20036
Dates of Employment: 5/86 - 7/84

Position: Securities Dealer
Employer: First Investors Corporation
Location of Work: 864 Loch Raven Blvd, #34, Towson,
Maryland, 21204
Dates of Employment: 6/84 - 1/85

Position: President
Employer: Institute for American Business
Location of Work: 805 15th Street, #534
Dates of Employment: 9/82 - 1/83

Position: Campaign Organizer
Employer: Phil Ruppe for Senate
Location of Work: Detroit, Michigan
Dates of Employment: 9/82 - 1/83

Position: President
Employer: Newman & Hermanson Compagny
Location of Work: 1799 Swann Street, Washington, D.C. 20009
Dates of Employment: 1/77 - 9/82

Position: Assistant Secretary
Employer: Department of Housing and Urban Development
Location of Work: 451 7th Street SW, Washington, D.C. 20024
Dates of Employment: 1/76 - 1/77

Position: Commissioner
Employer: Consumer Product Safety Commission
Location of Work: 1750 K Street, NW, Washington, D.C. 20006
Dates of Employment: 3/73 - 1/76

Position: Director
Employer: VISTA
Location of work: Connecticut & H, NW,
Dates of Employment: 10/71 - 3/73

Position: Special Assistant
Employer: Department of Health, Education & Welfare
Location of Work: 330 Independence Avenue, NW,
Washington, D.C. 20003
Dates of Employment: 12/69 - 10/71

Positions: Chief, Midwest Section, Migrant Division
Employer: Office of Economic Opportunity
Location of Work: 1200 19th Street, NW, Washington, D.C. 20036
Dates of Employment: 12/67 - 11/69

Position: Research Analyst
Employer: National Commission on Civil Disorders
Location of Work: 19th and L Street, NW, Washington, DC
Dates of Employment: 1/67 - 10/67

Position: Personnel Management Specialist
Employer: Bureau of Land Management, Department of Interior
Location of Work: 19th and E Street, NW, Washington, D.C.
Dates of Employment: 2/62 - 1/67

Position: Teaching Assistant
Employer: Laon Air Force Base
Location of Work: Laon, France
Dates of Employment: 6/59 - 2/62

Position: Head Counselor
Employer: University of Minnesota
Location of Work: Minneapolis, Minnesota
Dates of Employment: 9/57 - 6/59

10. Government experience: List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments, other than those listed above.

Local (Present)

Trustee, Board of Trustees, Community College of Baltimore (1985

Federal (Past)

Defense Advisory Committee on Women in the Services (1983-86)
Chairman: 1983-1986

11. Business relationships: List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business entreprise, educational or other institution.

NONE

12. Memberships: List all memberships and offices held in professional, business, fraternal, sholarly, civic, public, charitable and other organizations.

Member, Board of Directors, U.S. Committee for the U.N. Fund for Women, Inc. (1986 - Present)

Member, Board of Directors, Women's Equity Action League (1986 - Present)

Life Member, National Association for the Advancement of Colored People

13. Political affiliations and activities:
(a) List all offices with a political party which you have held or any public office for which you have been a candidate.
(b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.
(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.

(a) Offices with a political party or public office:
None

(b) Memberships and offices held in and services rendered to political parties during the last 10 years:

1980: Member, National Committee of Black Americans for Reagan-Bush.

1982: Campaign consultant, Phil Ruppe for Senate, Detroit, Michigan.

1988: Consultant, Republican National Committee, 4/88 - 9/88 and 1/88 - 1/89

Deputy Director, National VOter Coalitions Bush-Quayle '88.

(c) Itemize all political contributions to any individual, campaign organization, political party for the past 5 years:

1984: National Black Republican Council ($300)

1988: Maurice Dawkins for Senate ($200)
James Cummings for the House of Representatives ($150)
Alan Keyes for Senate ($150)
Jerry Moore for Council ($100)

14. Honors and awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service of achievements.

The Secretary of Defense Medal for Outstanding Public Service (December 1985)

Secretary's Award for Excellence, Department of Housing and Urban Development (1977)

Honorary Doctor of Laws, Amherst College (1980)

Honorary Doctor of Laws, Bates College (1972)

Outstanding Young Women of America (1969)

Bates Key (1956)

15. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

Title: POLITICAL ACTIVITY OF STATE GOVERNMENT PERSONNEL, REPORT OF THE COMMISSION ON POLITICAL, ACTIVITY OF GOVERNMENT PERSONNEL.

Publisher: The Commission on Political Activity of Government Personnel
Dates: 1967

Title: VISTA PROGRAM IMPACT STUDY
Publisher: ACTION
Date: 1973

Title: "The Consummer Product Safety Commission: Does it can the Ash Report?" (with James A. Brodsky and Judith A. Hermanson)
Publisher: George Washington Law Review
Date: May 1975

Title: "Research and Policy Making Under Uncertainty, A case Study: Spray Adhesives," The Evaluation of Social Programs.
Publisher: Edited Clark C. Abt.
Date: 1976

Title: "Models of Human Services Delivery: Description and Analysis". Co-Author, Judith Hermanson
Publisher: National Commission on Neighborhoods
Date: 1978

Title: RAILROAD SAFETY: A U.S. CANADIAN COMPARISON
Co-Author, Judith Hermanson
Publisher: Office of Technology Assessment, Congress of the United States
Date: 1979

Title: Legal Impediments to Metrication
Publisher: U.S. Metric Board
Date: 1981

Title: The Uniform Guidelines on Employee Selection Procedures: A Background Report (Draft)
Publisher: Unpublished (Submitted by EEOC to the United States Congress.)
Dates: 1985

16. Speeches: Provide the Committee with three copies of any formal speeches you have delivered during the last 5 years which you have copies of and area topics relevant to the position for which you have been nominated.

During the last 5 years (1983-1988) I have not delivered speeches on topics relevant to the position - Director, Office of Personnel Management. However, as Chairman of the Defense Advisory Committee on Women in the Military, I spoke often on the role of women in the U.S. Army Command and General Staff College and the Industrial College of the Armed Forces. Notes could be provided to the Committee upon request.

17. Selection:
    (a) Do you know why you were chosen for this nomination by the President?
    (b) What do you believe in your background or employment experience affirmatively qualifies you for the particular appointment?

(a) RATIONALE FOR THE PRESIDENT'S SELECTION

The President indicated his rationale for selecting me in introducing me to the Senior Executive Service on January 26, 1989. To paraphrase the rationale: He wanted a person: (1) who understood the importance of public service; (2) who was prepared to be held accountable for developing policies which would insure that the Federal service would serve the nation with distinction; (3) who had had experience with serving the public both from the vantage point of career as well as political positions.

(b) QUALIFYING BACKGROUNG AND EXPERIENCE

Below are the experiences that qualify me to the position of Director, Office of Personnel Management.

GENERAL MANAGEMENT EXPERIENCE

* For over 20 years managed public and private organizations. Among the major management positions held were: Assistant Secretary of the United States Department of Housing and Urban development, Director of VISTA, Commissioner of the Consumer Product Safety Commission, and President of the Newman & Hermanson Campany.

* For the Newman & Hermanson Company conducted a management study for the U.S. Department of Labor, Women's Bureau. The study recommended restructuring. Many of the recommendations were implemented (1982). Five years later, conducted a review of the same organization to determine whether the organization required change given changes in the organization's mission and resources.

PERSONNEL MANAGEMENT EXPERIENCE

* As a personnel management assistant and a personnel management officer in the Department of Interior had responsability for the preparation of job descriptions, for classification of jobs, for conducting grievance hearings and adverse action proceedings. (1962-1967)

* As a research analyst for the Commission on Political Activity of Government Personnel stutied the rationale for the merit system as well as the pros and cons of the Hatch Act (1967).

* As Special Assistant to the Secretary of the Department of Health, Education and Welfare had responsability for the orientation and training of new personnel hired to conduct program evaluations.

* As consultant to the Government of Lesotho, advised the government of the manpower and training needs of the new corporation. Specifically provided: a) a framework for the assessment of the manpower needs required to initiate new projects as well as continue the work on existing low and middle income projects; b) model training packages.

* Prepared organization charts and staffing plans for the Government of Lesotho, the Department of Interior (1962-1967); migrant programs (1967-1969); VISTA (1971-1973); Department of Housing and Urban Development (1976-1977); the Institute for American Business (1982-1984); U.S. Department of Labor - Women's Bureau (1982- 1987)

* Prepared organizational policies and procedures for the Government of Lesotho, migrant programs in Florida, Arkansas, and the midwest; Institute for American Business; African Development Foundation (1984-1985); and the Community College of Baltimore (1986).

RESEARCH ON WORKFORCE ISSUES

* Served as a member of the advisory group to the Hudson Institute Study on Workforce 2000 issues. (1986-1987)

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

I have no present connnections with employers, business firms, business associations, or business organizations. By any chance of connections are developed before confirmation, I commit to sever any and all connections if confirmed by the Senate.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

I have NO plans, commitments or agreements to pursue outside employment, with or without compensation, during my service with the government.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

I have NO plans, commitments or agreements after completing government service to resume employment, affiliation or practice with any previous employers, business firms, associations or organizations.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service?

No person has made a comitment to employ my services in any capacity after I leave government service.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

I have every expectation, if confirmed, to served out my full term.

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe all financial arrangements, deferred compensation agreements and other continuing dealings with business associates, clients or customers.

I have NO financial arrangements, deferred compensation agreements or other continuing dealings with business associates, clients or customers.

2. Indicate any investments, obligations, liabilities or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

I have no investments, obligations liabilities, or other relationships which could involve potential conflicts of interest in the position to which I have been nominated.

3. Describe any business relationship dealing or financial transaction which you have had during the last 10 years whether yourself, on behalf of a client or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I have had no business relationship, dealing or financial transaction which I have had during the last 10 years, for myself, on behalf of a client or acting as an agent that could in any way constitute or result in a possible conflict of interest in the position to which I have been nominated.

4. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

Between 1978 and 1988, I have been a consultant to both public and private organizations. During that period of time I had conducted a number of studies and prepared a number of reports which could have been used to influence the legislative process. Below is a listing of specific activities which could have indirectly influenced the passage of legislation.

A. A study for the National Commission on Neighborhoods, co-authored with Judith Hermanson on "Models of Human Services Delivery: Description and Analysis." (1978)

B. Two studies for the Office of Technology Assessment, U.S. Congress on railroad safety. (1979)

C. A study for the U.S. Metric Board on Legal impediments to Metrication. (1981)

D. Two studies for the Equal Employment Opportunity Commission:
   - Equal Employment Opportunity: Concepts, Laws and Theories (1985)
   - The Uniform Guidelines on Employees Selection Procedures: A Background Report (1985)

E. As a member of the advisory committee to the Hudson Institute, reviewed the study design and product or Workforce 2000.

5. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your response to the above items. (Please provide copies of any trust or other agreements.)

I do not believe that there are any potential conflicts of interest, hence no need to consider the plan for resolution of the conflicts.

6. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

I agreee to have written opinions provided to the Committee by the designated agency ethics officer of the Office of Personnel Management and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to my serving in the position.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

I have never been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group.

2. Have you ever been investigated, arrested, charged or held by any Federal State, or other law enforcement authority for violation of any Federal State, county or municipal law, regulation or ordinance, other than a minor traffic offense? If so, provide details.

I have never been investigated, arrested, charged or held by any Federal, State, or other law enforcement authority for violation of any Federal, State, County or municipal law, regulation or ordinance.

3. Have you or any business of which you are or were an officer ever been involved as a party in interest in any adminstrative agency proceeding or civil litigation? If so, provide details.

Neither I nor any business of which I am or have been an officer has ever been involved as a party in interest in any administrative agency proceeding or evil litigation.

4. Have you ever been convicted (including pleas of guilty of nolo contendere) of any criminal violations other than a minor traffic offense?

I have never been convicted (including pleas of guilty or nolo contendere) of any criminal violation.

5. Please advise the Committee of any additional information favorable or unfavorable, which you feel should be considered in connection with your nomination.

To my knowledge, there is no additional information which would be of concern to the Committee.

PRE-HEARING QUESTIONS AND ANSWERS

SUBMITTED TO

THE COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

BY

CONSTANCE BERRY NEWMAN
NOMINEE FOR
THE POSITION OF
DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

JUNE 1989

Personnel Management Experience

- As a personnel management assistant and a personnel management officer in the Department of the Interior had responsibility for the preparation of job descriptions, for classification of jobs, for conducting grievance hearings and adverse action proceedings. (1962-1967)

- As a research analyst for the Commission on Political Activity of Government Personnel studied the rationale for the merit system as well as the pros and cons of the Hatch Act. (1967)

- As Special Assistant to the Secretary of the Department of Health, Education and Welfare had responsibilty for the orientation and training of new personnel hired to conduct program evaluations.(1969-1971)

- As a consultant to the Government of Lesotho, advised the government concerning the manpower and training needs of the new corporation. Specifically provided: a) a framework for the assessment of the manpower needs required to initiate new projects as well as continue the work on existing low and middle income projects; b) model training packages.(1987-1988)

- Prepared organization charts and staffing plans for the Government of Lesotho, the Department of Interior (1962-1967); migrant programs (1967-1969); VISTA (1971-1973); Department of Housing and Urban Development (1976-1977); the Institute for American Business (1982-1984); U. S. Department of Labor - Women's Bureau (1982 and 1987).

- Prepared organizational policies and procedures for the Government of Lesotho, migrant programs in Florida, Arkansas, and the midwest; Institute for American Business; African Development Foundation (1984-1985); and the Community College of Baltimore. (1986)

Research on Workforce Issues

- Served as a member of the advisory group to the Hudson Institute Study on Workforce 2000 issues. (1986-1987)

2. WERE THERE ANY CONDITIONS, EXPRESSED OR IMPLIED, ATTACHED TO YOUR NOMINATION?

There were no conditions, expressed or implied, attached to my nomination.

3. HAVE YOU MADE ANY SPECIFIC COMMITMENTS WITH RESPECT TO THE POLICIES AND PROGRAMS YOU WOULD SEEK TO IMPLEMENT AS DIRECTOR? IF SO, WHAT ARE THEY?

The commitment I made at the time of my acceptance of the President's intent to nominate was that I would uphold the laws of the United States and would support the policies of the Bush Administration. Unstated, but I assume expected by the President, was that I would take steps to initiate policies and programs in support of his campaign commitments to include:

- improving the quality, morale and performance of the Federal employees;
- insuring that political appointees work closely with career civil servants to provide the teamwork needed to implement policies;
- removing impediments to management and encouraging workforce creativity;
- working with federal professional associations and federal employee unions to improve federal recruiting efforts and to make federal jobs more challenging and more satisfying;
- delegating responsibility for personnel operations to the departments and their field installations to the maximum degree feasible.

4. ARE THERE ANY ISSUES INVOLVING THE OFFICE OF PERSONNEL MANAGEMENT FROM WHICH YOU MAY HAVE TO DISQUALIFY YOURSELF? IF SO, PLEASE EXPLAIN.

There are no issues involving the Office of Personnel Management from which I may have to disqualify myself.

II. ROLE AND RESPONSIBILITIES OF THE OPM DIRECTOR

1. WHAT DO YOU UNDERSTAND TO BE YOUR BASIC ROLE AND RESPONSIBILITIES AS THE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT?

ANSWER:

The Director of Personnel Management has the following role and responsibilities:

I. Leader of the continuing efforts to "rebuild the public service." Among the action items should be to:
   - initiate and direct efforts to improve the image of public service; (1)
   - join with OMB in the initiation of strategies for improving the productivity of the workforce; (2)
   - encourage educational institutions at all levels to prepare the future workforce to consider public service; and (3)
   - work with employee unions and other organizations to bring about employee-management partnerships which will insure quality public service. (4)

II. Policy-maker responsible for advising the President and his Administration on human resources policy issues. Among the action items should be to:
   - coordinate strategies for addressing such issue topics as recruitment, retention, compensation and benefits; and
   - coordinate federal government research and planning efforts to prepare the U. S. government for present and future workforce needs. (5)

III. Chief personnel officer of the executive branch. Among the action items should be to:
   - initiate and encourage the initiation of research and demonstration projects designed to address human resource management needs e.g. compensation strategies designed to address the recruitment and retention of hard-to-recruit occupations; (6)

- review the recruitment and placement efforts that will ensure minorities, women, and the disabled have the opportunity to be and are well represented in the Federal government workforce; (7)

- lead the review of the performance management system; (8)

- work to make the Senior Executive Service effective; and (9)

- develop orientation and training programs which emphasize the necessity of career and political appointees working together to accomplish the goals of the Administration.

IV. Manager of the Office of Personnel Management
Action steps should include to:

- manage the organizational units in OPM in a manner to ensure that the mission is accomplished;
- combine the decentralization of services with a heightened oversight role for OPM;
- work as an advisor to the Office of Government Ethics to frame and implement policies to insure that the workforce is in compliance with the laws and Executive Order governing ethical conduct of government employees; and
- decide the work status of federal workers during snow days.

NOTES

1. The Task Force on Public Perceptions of the Public Service to the National Commission on the Public Service made the observation that: "Negative stereotypes of the civil servant, reflexive hostility toward government, and absent-minded "bureaucrat-bashing," from whatever quarter, create an environment favorable to the worsening of the 'quiet crisis' that now afflicts public service. These negative stereotypes must be changed." (Volcker Commission, 1989)

GAO has noted that the government's inability to hire and keep good people is in part a result of the poor image of federal service. (GAO, Managing Human Resources, 1989)

2. GAO has noted that agencies have primary responsibility for improving productivity and quality, but OPM also has a leadership role. The 1989 GAO report noted that OMB has taken on the leadership role in governmentwide productivity and quality improvement, using as its primary tool, the President's Productivity Improvement Program.

It is my view that neither OPM, nor OMB has the sole responsibility for the leadership in ensuring improved productivity in the Federal service - the responsibility is shared. OMB is in the best position to demand and then track productivity as part of the budget formulation process. OPM is in the best position to: a) determine the extent to which personnel policies serve as a barrier to productivity - and alter where necessary; b) initiate policies and practices to ensure greater productivity; c) develop employee development programs designed to ensure a more productive workforce; d) serve as a clearinghouse for strategies which bring about greater productivity; e) provide technical assistance on the development and use of productivity measures; and f) monitor productivity practices to ensure conformance with merit principles. (Reference: U. S. General Accounting Office, Managing Human Resources, 1989)

3. The Task Force on Education and Training to the National Commission on the Public Service decided that it must focus on the question: how the educational system itself conditions people to consider the possibility of a career in public service. The Task Force noted that those in the "educational arena must do more to strengthen the quality of public service." (Volcker Commission, 1989)

4. (a) The American Federation of Government Employees firmly believes, based upon decades of representing hundreds of thousands of dedicated government workers, that when federal employees are given a voice in their working conditions and methods of accomplishing their job, they have the ability to make a significant contribution to better and more efficient government. (AFGE, Federal Labor Management Relations, Background, 1989)

(b) According to the National Treasury Employees Union: Labor and management can no longer be viewed as conflicting interests, but must be recognized as complementary inputs into the work process. (NTEU, Transition to the Future of the Federal Service, The Employee Perspective, 1988)

5. (a) GAO has noted that OPM could assist agencies' planning efforts in several ways. It could develop broad guidance, disseminate data on best practices, act as a clearinghouse, and encourage the use of workforce planning. It could also join with the agencies to determine the information needed to identify and address hiring problems. It appears to me that OPM could engage in many of the workforce planning activities without requiring major increases in funds. (GAO, Managing Human Resources, 1989)

(b) In 1988, OPM commissioned the Hudson Institute to prepare a report on the long term workforce needs of the Federal Government. That report, Civil Service 2000, was an important first step in workforce planning for the Federal Government.

According to OPM staff, the reaction to the report has been good - that it has helped people understand the set of problems faced in attracting and retaining skilled people for Federal careers. (OPM Briefing Book, CEED-3, February 1989)

6. OPM has responsibility for establishing and disseminating personnel management research information. In addition, the agency is expected to evaluate the results of research and demonstration projects for applicability throughout government.

According to OPM staff, there is a Research Agenda which has been developed with Federal agency representatives, labor organizations and outside scholars. Discussions have been opened with several Federal agencies and private organizations about their research programs. (OPM Briefing Book, PSO-5, February 1989). GAO has noted that OPM has not fully used its authority to promote innovative personnel management, but began to revitalize its efforts in August 1986)

7. A review of major statistical employment trends in the Federal government between 1976 and 1986 indicates the following: a)representation for non-minority women and each minority group in the "GS and Equivalent" pay system occupations showed increases for each period reviewed. This positive progress is also reflected in total federal employment, except for blacks who decreased substantially in number and percent from 1980 to 1982. (This may have been caused in part because of the exclusion of the Postal Service in the database); b) The average grade gaps still

exist between non-minorities and minorities, as well as between non-minorities and non-minority women, however, the gaps have narrowed; c) Challenges remain, however, that still need dedicated attention. Hispanics are not represented in the federal government in the proportions that they are represented in the national labor force. Women and minorities still are not represented in the senior-level grades and executive positions in the proportion that they are represented in the total federal work force; and the number and percent of black executives has decreased substantially.(GAO, Civil Service Reform Seminar, March 31, 1988. Prepared Statement of Ms. Harriet Jenkins and Major Statistical Employment Trends, Prepared by Orlando A. Gutierrez)

8. (a) Under any circumstance, there is the need for constant evaluation and review of the Performance Management and Recognition System (PMRS) as well as all performance management strategies. However, some level of review of PMRS is required because of the sunset of the authorizing legislation on September 30, 1989. It is my personal view that the Federal government should take all steps to make some type of pay-for-performance system work.

Examples of the types of questions which will need to be addressed with regard to performance management systems are: How can the system be designed to ensure the proper relationships between the goals and objectives of the organization and the performance requirements of individual employees? What is the proper relationship between employees and supervisors in establishing performance standards? How can there be developed real employee respect for the performance management system? What are proper incentives, awards and sanctions? If there are different systems in place, how are disparities in base pay reconciled? What type of actions should be taken regarding poor performers in the system? How can the system be designed to avoid biases in ratings?

(b) Among the significant areas ripe for futher examination, according to the Merit System Protection Board are: To what extent do performance management programs increase turnover of poor performers and reduce turnover of superior performers? Is the rating pattern for different pay plans a reflection of hierarchical bias? To what extent does the problem of rating inflation adversely affect the merit system?

9. Alan K. Campbell, OPM Director 1978-81, would undertake programs and policies which enhance the future of career employees. He says, "the full potential of the Senior Executive Service has not been realized. Ways and means must be found to induce these senior career executives to assume ownership of the career system and provide leadership not only for the SES but for the promotion and improvement of the federal career system." (Campbell in Trattner, p.89)

2. WHAT DO YOU CONSIDER TO BE THE MISSION OF THE OFFICE OF PERSONNEL MANAGEMENT?

The Office of Personnel Management(OPM) has as its mission to establish and implement personnel management policies in conformance with merit principles designed to insure quality Federal public service. In order to accomplish its mission OPM has the following responsibilities:

- to assist the departments and agencies in recruitment and placement of a quality workforce;
- to assist the departments and agencies in encouraging increased productivity on the part of all employees;
- to conduct the monitoring and oversight of human resources management activities in the Federal government:
- to ensure effective labor-management relations with employee unions and other employee organizations;
- to assist the departments and agencies in the conduct of an effective equal opportunity program;
- to develop effective systems for determining the proper responsibilities and pay level by occupation and organization;
- to develop and implement pay and benefits policies for the Federal workforce;
- to manage the retirement and health benefits program;
- to conduct the personnel investigation program;
- to assist the departments and agencies in the conduct of effective employee development programs for employees at all levels in all occupational groups; and
- to oversee the following programs: Voting Rights monitoring program, President's Commission on Executive Exchange and the White House Fellows.

3. WHAT DO YOU CONSIDER TO BE THE MAJOR CHALLENGES CONFRONTING THE OFFICE OF PERSONNEL MANAGEMENT AND HOW DO YOU PROPOSE TO MEET THESE CHALLENGES?

CHALLENGE I: To improve the image of the public service

Potential strategies for addressing the challenge:

- develop, for public consumption, explanations of the work conducted by the Federal employees. Providing for media use profiles of the excellence in public service e.g. the Nobel prize winners, the astronauts, the scientists, and the unappreciated employees who see to it that the social security checks are paid on time.

- develop new constituencies for the public service, through greater contact between the "best and the brightest" and the public.

CHALLENGE II: To develop policies and programs which will insure that the Federal government can recruit and retain quality workforce to meet the needs of the present and the future.

Potential strategies for addressing the challenge:

- follow-up on the recommendations made in Civil Service 2000 and by the Volcker Commission. The "follow-up" will require an analysis of the recommendations in the context of budget and other policy constraints.

- determine if barriers to addressing the workforce needs exist. Where barriers do exist, take steps to remove them.

- involve both the public and private sector in developing policies to address workforce needs.

CHALLENGE III. To develop the rational strategies for determing the methods of compensating Federal government employees in all occupations and in all localities in a manner that is more market-sensitive.

Potential strategies for addressing the challenge:

- consider the findings from research into ways of improving the pay systems and adjusting the white collar pay to be reflective of local pay rates.

- involve the major stakeholders in the implementation of those strategies which will result in pay systems that have the ability to attract and retain quality employees and at the same time represent fair and reasonable labor costs.

CHALLENGE IV. To develop and implement strategies for providing relevant quality training and development to the entire Federal workforce, including the management.

Potential strategies for addressing the challenge:

- reinforce present efforts to provide a coordinated training plan for the Federal government. Granted, most of the training responsibility is with the individual agencies, however, there is the need for some coordination to ensure quality training is provided.

- expand contacts with private industry and the academic community to learn the best employee development strategies and then share that information with the Federal agencies.

- insure that the executive training program operates on a continuum - one in which each training experience complements the previous and that the training will result in quality managers at all levels.

CHALLENGE V. To develop and implement programs which will improve the quality and recognition of the Federal government's "frontline".

Potential strategies for addressing the challenge:

- take steps to insure that all in the government and the public understand the importance of the receptionists, secretaries, clerk-typists, information specialists and all others who must deal with the public. This can be done through media projects.

- provide technical assistance to agencies in the development of incentive programs especially designed to reward the "frontline".

- provide supplemental training programs for the "frontline" on how to deal with the public.

CHALLENGE VI. To assess present strategies and if necessary provide altered strategies for measuring the performance of individual employees.

Potential strategy for addressing the challenge:

- review all existing studies and information on performance management systems.

CHALLENGE VII. To conduct effective evaluation and oversight programs, which would ensure a quality personnel management program delegated to departments and agencies.

Potential strategies for addressing the challenge:

- review the OPM evaluation efforts with the staff and in the context of GAO and MSPB reports.

- review private sector strategies for the conduct of oversight of human resources management.

- if necessary and as feasible, alter the present strategies for oversight and evaluation of personnel management efforts - both by OPM and the departments and agencies.

4. HOW DO YOU ENVISION YOUR RELATIONSHIP AND THE NATURE OF YOUR RESPONSIBILITIES AS THEY RELATE TO:

(A) THE PRESIDENT

The Director of the Office of Personnel Management reports directly to the President. The Director has responsibility for advising the President on human resource management policy and program matters. It is also the Director's responsibility to inform the personnel managers of the executive branch of the President's policies. Where applicable, the Director must directly carry out the programs and policies of the President of the United States.

(B) CONGRESS

The Director must report to Congress regarding all matters relating to the mission of the Office of Personnel Management. The reporting responsibility includes: testifying before any duly constituted committee and providing information requested by any duly constituted committee or member of Congress.

(C) OTHER EXECUTIVE AGENCIES

The Office of Personnel Management is the chief personnel officer for the executive branch, which means that the agency has responsbility for assisting all other executive agencies in addressing their personnel matters. The most cost-effective approach to serving the executive agencies is as follows:

- consult with the executive agencies in order to determine their personnel needs;
- determine the readiness of agencies to have various personnel authorities delegated to them;
- delegate personnel responsibilities, providing clear guidance and where applicable technical assistance; and
- conduct monitoring and evaluation programs to insure that agencies are handling the delegated responsibility in a manner that insures compliance with the merit principles.

(D) MERIT SYSTEM PROTECTION BOARD

The Office of Personnel Management and its Director will always have to be careful not to violate the law or spirit of the Civil Service Reform Act of 1978 in its relationship to the Board. That law established the U.S. Merit Systems Protection Board as an independent, quasi-judicial agency charged by Congress with protecting the merit system. Among the Board's responsibilities are that of: 1)conducting studies of the civil service system to determine whether it is free of prohibited personnel practices; 2) providing oversight of the significant actions and regulations of the Office of Personnel Management.

It is clear that OPM can benefit from the various studies initiated by the Board. I would like, however, to explore the extent to which OPM and the Board can collaborate on some of the study designs, which would provide information required to address human resource management issues.

(E) OFFICE OF SPECIAL COUNSEL

The Civil Service Reform Act established the Office of Special Counsel for the purpose of investigating and where warranted, prosecuting prohibited personnel practices, Hatch Act violations, and violations of other civil service laws, rules, or regulations. Given the nature of the responsibility of the Office of Special Counsel, the OPM Director's relationship to that Office must be limited to:

- where applicable, taking corrective actions focusing on curing problems revealed by the Special Counsel's investigations.

(F) FEDERAL LABOR RELATIONS AUTHORITY

The Federal Labor Relations Authority(FLRA) is the independent agency which adjudicates labor-management disputes. As the Director of one of the Federal agencies, I would have responsibiity to follow Federal Labor Relations Authority rulings regarding the appropriateness of bargaining units; the conduct of elections, consultation rights of the labor unions. As the Chief personnel officer of the executive branch, it will be necessary to monitor FLRA precedent-setting decisions to guide the policies regarding labor-management relations.

(G) THE OFFICE OF GOVERNMENT ETHICS

As of September 30, 1989, the Office of Government Ethics (OGE) will be a separate executive agency. Even though it will be the responsibility of that Office to develop government-wide ethics rules and regulations, OPM will consult with OGE on them.

As will be true of any agency, OPM will have the responsibility for: a) developing necessary supplements to the standards provided by law, the Executive Order and regulations; b) consulting with OGE on training and orientation activities; and c) assessment of the ethics program in the agency.

5. DO YOU SEE ANY NEED TO REVISE THE CURRENT ORGANIZATIONAL STRUCTURE OF OPM?

It is my belief that organizational structures should not be revised unless it is absolutely necessary. Any type of organizational change causes a disruption in the operation, even if the ultimate change will result in increases in productivity. Therefore, I have no immediate plans to institute major revisions of the structure of OPM.

It is only fair, however, that I share one of my preferences regarding the most effective way to organize to address future needs of an organization. I have found a logic and effectiveness concerning future policy development where organizations combine or at least have strong coordination of the following activities: planning, policy development, budgeting, evaluation, research and demonstration.

5. WHAT OBJECTIVES WOULD YOU LIKE TO ACHIEVE AS DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT?

Long Term Objective : To become one among many leaders in the continuing effort to "rebuild the public service."

Short Term Objectives:

1. To initiate an organized campaign to improve the image of public service;

2. To work with OMB to improve productivity, by insuring that the Federal Quality Institute has a real impact and/or by using other vehicles;

3. To continue effective efforts with educational institutions to develop strategies for preparing the future workforce; and

4. To work with employee unions and other organizations to develop innovative methods of effective labor-management relations.

Long Term Objective: To develop strategies which will address the issues regarding the effective management of the federal workforce in the present and in the future.

Short term objectives:

1. To coordinate continuing analysis of the workforce needs in the future;

2. To coordinate development of recruitment and retention strategies;

3. To participate in the review and, if necessary, the reform of the classification, pay and benefits systems; and

4. To participate in the development of effective training and employee development activities.

5. To assess and reform the performance appraisal systems and the Performance Management Recognition System.

6. To develop and implement programs which will improve the quality and recognition of the Federal government's frontline (those who deal directly with the public on a regular basis).

7. To continue efforts to conduct oversight of the executive branch personnel management activities, with particular reference to the delegated activities.

6. DO YOU EXPECT TO ENGAGE IN ANY POLITICAL ACTIVITIES IN ADDITION TO PERFORMING YOUR FUNCTION AS DIRECTOR DURING YOUR TENURE? IF SO, PLEASE DESCRIBE THE POLITICAL ACTIVITIES YOU BELIEVE WOULD BE APPROPRIATE FOR YOU TO UNDERTAKE?

If confirmed, my primary responsibilities to the President, Congress and the public will be the leadership on human resource management issues and the management of the Office of Personnel Management. However, since I will be a political appointee I will be available in a limited way to perform traditional political activities such as participating in political events. I have no plans to serve as a permanent representative on any type of political committee.

III. OPM MANAGEMENT AND IMPROVEMENT

1. AS DIRECTOR OF OPM, HOW WOULD YOU WORK TO IMPROVE THE PUBLIC'S PERCEPTION OF AND FAITH IN THE CIVIL SERVICE?

It is extremely important that members of the public understand what it is that public servants do and how well they perform. It is not clear that members of the public have a clear understanding of the nature and extent of government service and the general quality of the service.(1) This understanding can be developed by:

- preparing and distributing to school systems short descriptions of the Federal government and what it does and who it is that performs the service. For example, a series could be made on the recipients of the Nobel prizes in science, a high percentage of which are Federal employees.(2) Not only will the school children benefit from this information, but their parents will as well.(3)

- working with national organizations and associations to communicate with their membership the value of the work done by public servants. In addition, I would request of many of the organizations that have been successful in communicating with the larger public that they assist OPM in improving the public's perception of the civil service. Such organizations as the National Council of La Raza, the NAACP, the Jaycees and the Eagle Forum could be approached.

It is important also to take steps to improve the status of the public servants who are on the "frontline" i.e. secretaries, receptionists, information specialists. This means providing orientation and training on how to deal with the public and then providing recognition to those on the frontline who take steps to improve the public's perception of the civil service.

NOTES:

1. Rosen has noted that although Americans are quick to express opinions about federal employees, most citizens have limited exposure to the hundreds of thousands of specialists in the civil service. (Rosen, Servants of the People, 1985)

2. In the past 25 years, almost two-thirds (40 of 62) of all Nobel prizes for medicine and physiology have been awarded to scientists who either worked at or received support from the National Institutes of Health prior to winning the prize. Four NIH career employees and one Veterans Administration employee have been awarded Nobel prizes during the past 15 years. (Rosen, Servants of the

3. The Task Force on Public Perceptions of the Public Service to the National Commission on the Public Service indicated that missing in the current approach to public information is "a strong effort to remind the nation that the range of government products are being delivered by people, not "faceless bureaucrats." The Task Force said further that: "When young people are considering careers, they should not be left with rosy abstractions but informed by specific flesh-and-blood examples that the individual public servant can and does make a difference." (Volcker Commission, 1989)

2. DO YOU BELIEVE ACTION NEEDS TO BE TAKEN TO IMPROVE THE MORALE OF FEDERAL EMPLOYEES GENERALLY? IF SO, WHAT ACTIONS WOULD YOU TAKE?

Action needs to be taken to improve the morale of federal employees generally. The following are the steps that can be taken to improve the morale of federal employees:

• providing the real opportunity on the part of each employee to participate in the process of developing the objectives of his or her organizational unit.

- As Director of OPM, I would work with the unions and other employee organizations as well as representative selection of non-organized employees to develop steps to be taken, over and above those now existing, to insure meaningful employee participation on the goal setting activities.

• insuring a clearer understanding on the part of each employee as to what is expected.

- As Director of OPM, I would work with OMB, the Cabinet Secretaries and Agency heads to insure that the development of performance standards for individual employees is related to the objectives of the organizational unit. Training modules for supervisors within the agency would provide guidance on the method of developing standards and conducting meaningful appraisals.

• providing meaningful recognition when employees exceed expectations and meaningful sanctions when employees do not meet expectations.

- As Director of OPM, I would review both the incentive/bonus programs as well as the adverse action process. The former to determine whether they are designed to identify those employees who have really exceeded expectations. The latter to determine if the procedures provide the necessary due process, but yet make it easy to deal with poor performers.

• providing reasonable and fair compensation and benefits to each employee.

- As Director of OPM, I will work with OMB and the President to propose to Congress systems for providing reasonable and fair compensation and benefits to employees. This, needless to say, will be one of the most difficult tasks, given the concern about the budget deficit. However, it will be the responsibility of the Director of OPM, to develop an analysis of both sides of the ledger -

the costs to the public of continuing to address the problem as in the past as well as the benefits of revamping the compensation/benefits package.

- getting public support from political appointees, elected officials and the general public.

- The President of the United States has already indicated to his appointees as well as the general public of his support for public servants. As Director of OPM, however, I would conduct a campaign to inform the general public of the worth of public servants.

3. IN JANUARY 1989, THE GENERAL ACCOUNTING OFFICE ISSUED A REPORT TO CONGRESS DESCRIBING SERIOUS DEFICIENCIES IN OPM'S LEADERSHIP IN ADDRESSING CRITICAL HUMAN RESOURCE MANAGEMENT PROBLEMS AND PREPARING THE GOVERNMENT TO MEET FUTURE CHALLENGES. GAO ALSO INCLUDED NUMEROUS RECOMMENDATIONS AIMED AT IMPROVING THIS SITUATION. HOWEVER, IN ADDRESSING THE RESULTS OF GAO'S WORK, FORMER OPM MANAGEMENT CHOSE NOT TO COMMENT ON THESE PROPOSED RECOMMENDATIONS.

IF CONFIRMED, WOULD YOU AGREE TO GIVE YOUR PERSONAL ATTENTION TO PROVIDING THE COMMITTEE WITH A THOROUGH EVALUATION OF GAO'S RECOMMENDATIONS?

If confirmed, I will agree to give my personal attention to providing the Committee with a thorough evaluation of GAO's recommendations. I have read "Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges". Many of the recommendations address extremely complex issues, therefore I would hope that the Committee would allow me time to work with the staff in developing a thorough evaluation of the recommendations. One approach may be for me to address the recommendations in phases.(1)

NOTES

1. Constance Horner, Director of OPM, in response to the report did make observations which will be extremely useful in the thorough evaluation of the GAO recommendations. Examples of the type of observations which deserve in-depth analyses are the following:

1. CSRA was meant to be the beginning, not the end, of change and adaptation. For instance, many reforms believed essential by the framers of CSRA, particularly in the pay area, were in fact left out of the original act. Other parts of CSRA proved unworkable, and had to be revised. And many environmental changes and new workplace problems have arisen since the passage of CSRA that simply could not have been foreseen by it.

2. Regarding planning activities: OPM is aggressively pursuing efforts to monitor the quality of the federal workforce, by gathering data on the quality of the applicant pool, of the existing workforce, and of those leaving the workforce.

3. OPM has found that most employees eligible for FERS intended to remain in the government until retirement anyway, hence, portability was not an issue.

4. The major impediment to the development of demonstration projects by agencies was internal, with "heavy resource requirements" the most frequently cited reason for not pursuing projects.
(Reference: November 18, 1988 letter to the Comptroller General from the Director of OPM)

4. A SURVEY OF OPM EMPLOYEES, CONDUCTED BY GAO AND INCLUDED IN ITS RECENT REPORT, SUGGESTED THAT THE AGENCY HAS PROBLEMS COMMUNICATING ITS GOALS TO ITS OWN EMPLOYEES AND MAINTAINING A HIGH LEVEL OF MORALE AND MOTIVATION. FURTHER, GAO REPORTED THAT ONLY 15% OF THE SURVEY'S RESPONDENTS THOUGHT OPM WAS EFFECTIVELY FULFILLING ITS MISSION.

DO YOU SEE THIS AS A PROBLEM? IF SO, AS DIRECTOR, HOW DO YOU INTEND TO MOTIVATE YOUR STAFF AND ARTICULATE YOUR VIEW OF THE AGENCY'S MISSION?

Although I did review the survey results, I have no way of knowing whether or not there is a morale problem at OPM. It is difficult to characterize good or bad morale. People differ in their expectations of a good work environment.

What generally makes people satisfied and motivated are the following factors:

- Participation in the development of the agency's goals and objectives;

- Clear understanding by each employee of his/her responsibilities and performance standards;

- Feedback (positive and negative) on what the organization is accomplishing as well as feedback on the individual accomplishments;

- Meaningful incentives when an individual exceeds expectations and sanctions when individuals perform at less than the expected level; and

- Support from management and constituency groups. In the case of Federal public servants, the major constituency group is the public.

As the Director of OPM I would first have to communicate with the staff my commitment to involving them in the development of the goals and objectives of the agency - this can be done with groups and individual employees, both structured and unstructured. Throughout my tenure as Director, if confirmed, I will give employees feedback on agency and individual accomplishment of goals as well as shortfalls.

My management style is such that I will often deal with staff members - along with their supervisors - who develop specific work products. I have found that this approach often motivates employees throughout an organization to accomplish the mission with quality work.

5. THE FEDERAL GOVERNMENT'S HIRING, FIRING, AND PROMOTION PROCESSES HAVE BEEN CRITICIZED AS BEING OVERLY BUREAUCRATIC AND INFLEXIBLE. A NUMBER OF REPORTS, INCLUDING CIVIL SERVICE 2000, COMMISSIONED BY OPM, RECOMMEND DECENTRALIZATION OF FEDERAL PERSONNEL MANAGEMENT FUNCTIONS TO REMEDY THIS SITUATION

Decentralization of personnel functions is a good management concept. However, it is extremely important that certain steps precede and follow decentralization. Those steps are as follows:

Preceding decentralization:

1. Consultation with recipient organizations regarding the best activities to be decentralized and agreement on what is and is not realistic. Some delegation could be on a case-by-case basis;

2. Development of a clear (understandable and simple) set of guidelines regarding the personnel actions being decentralized;

3. Conduct of orientation and training sessions regarding the activities being delegated; and

4. Development of an agreed-upon monitoring and evaluation system for the delegated activities.

Post-decentralization:

1. Conduct of the monitoring and evaluation systems;

2. Provision of feed-back to the agencies on the effectiveness of their delegated activities; and

3. Provision of recognition or sanctions to the department, agencies and/or organizational unit depending upon what is relevant.

6. IN YOUR JUDGMENT, WHAT PERSONNEL MANAGEMENT FUNCTIONS ARE BEST PERFORMED BY FEDERAL AGENCIES THEMSELVES AND WHICH FUNCTIONS ARE BEST PERFORMED BY OPM? WHY?

Policy Development: The Office of Personnel Management has the responsibility for advising the President on human resource management policy and program matters. Hence, OPM's primary function is that of policy development on human resource issues. Policy development is effective only to the extent that the federal agencies are involved throughout the process. The leadership in policy development is in my judgement an OPM function; participation in the process is a function of all federal agencies.

Recruitment: The responsibilities for recruiting and examining should be shared. Shared in that planning, coordinating, and limited implementations should be the responsibility of OPM. Major targeted recruitment efforts should be conducted by the agencies.

Examination: OPM has responsibility for carrying out central examining operations. However, CSRA provides the Director of OPM with the authority to delegate examining authority - and with reason. The delegations should reduce hiring delays and result in more relevant quality placements.

Management of the Classification System: The major responsibility of OPM is the management of the classification system. That now means that OPM has the responsibility to simplify that system. According to OPM staff, that is happening through the development of generic classification standards and combining of job series. However, there is also some classification activity which can and should be delegated to the agencies.

Management of the pay and benefits systems: OPM must take the leadership role in the review of the structure of the pay and benefit systems. However, all review must include representatives of the federal agencies. The management of the benefits systems may be best in the hands of a central agency, OPM. Once there is agreement on the overall structure of the pay systems, there is a great deal that can best be delegated to federal agencies or even units within agencies.

Employee development and training: OPM has leadership and coordinating responsibilties for the overall strategies for developing the federal workforce. The federal agencies, however, have a clear responsibility for developing employee development and training programs within the context of the agencies' needs. Both OPM and the agencies can effectively

Oversight: The ultimate oversight responsibility for conformance with the laws and merit principles rests with the Office of Personnel Management; the Merit Systems Protection Board; the Federal Labor Relations Authority; and the Office of Special Counsel. However, each federal agency has the responsibility to ensure that the implementation of the policies complies with merit principles and the laws.

7. UNDER THE CIVIL SERVICE REFORM ACT, OPM SHARES THE RESPONSIBILITY OF OVERSEEING THE PROTECTION OF THE MERIT SYSTEM WITH THE MERIT SYSTEMS PROTECTION BOARD, THE OFFICE OF SPECIAL COUNSEL, AND THE AGENCIES THEMSELVES. WHAT LEVEL OF AGENCY OVERSIGHT DO YOU BELIEVE IS APPROPRIATE FOR OPM? DO YOU THINK EXISTING OPM CONTROLS ARE SUFFICIENT TO DETECT AND PREVENT AGENCY PRACTICES OFFENSIVE TO THE PRINCIPLES OF THE MERIT SYSTEM?

I am aware that questions have been raised regarding the implementation of the oversight responsibilities. I have spent some part of my career in evaluation activities and recognize that there are no simple answers to the questions regarding the best evaluation strategies. Reasonable people differ on such issues as: a) the most valid approach to sampling and the most reliable sample size in a given context; b) the most reliable evaluation instruments; c) the necessary training of evaluators?

I cannot say, yet, what level of agency oversight is appropriate. I will say that I recognize that the OPM staff has reevaluated its oversight efforts and has attempted to have a stronger program. It is only fair that I review with the staff their assessment of the most recent changes in approach. I have noted that GAO commented that:OPM's revised approach of concentrating on governmentwide issues and agencies focusing on case-oriented compliance reviews has much appeal. However, according to GAO, "the revised approach will work only if the agencies have good PME (Personnel Management Evaluation) programs. It will be necessary to determine whether those programs are good. OPM will know that only if its controls are good.

One final note: What is problematic is that often, when resources are cut two of the most vulnerable areas are: training and evaluation. Those, in my view, are two of the last areas that should be cut if the civil service system is to work well.

8. ONE OF OPM'S PRIMARY OVERSIGHT MECHANISMS IS ITS PERSONNEL MANAGEMENT EVALUATION (PME) PROGRAM. HOWEVER, IN A RECENT GAO SURVEY, 74% OF THE AGENCY PERSONNEL DIRECTORS RESPONDING SAID THEY BELIEVED THAT THE PROGRAM INSUFFICIENTLY MONITORS NONCOMPLIANCE WITH MERIT PRINCIPLES.

(A) DO YOU BELIEVE OPM'S PERSONNEL MANAGEMENT EVALUATION PROGRAM SHOULD BE STRENGTHENED? IF SO, HOW?

As I indicated in response to Question 7 above, I do not believe that I am yet in a position to say whether the program should be strengthened. I will say that one of my priority activities will be review of the Personnel Management Evaluation Program.

(B) HOW CAN OPM HELP ENSURE EFFECTIVE PERSONNEL MANAGEMENT EVALUATION PROGRAMS EXIST IN OTHER FEDERAL AGENCIES?

Among the steps OPM can take to ensure effective Personnel Management Evaluation programs exist in other agencies are:

- determine the content of effective agency Personnel Management Evaluation programs through discussions with personnel managers and through OPM reports.
- share with departments and agencies what is known about effective PME programs.
- provide orientation and training to agency personnel responsible for PME programs.
- conduct rigorous oversight and provide feed-back to agency officials. Provide both positive and negative feedback to the agencies and assist agencies in altering their strategies where necessary. Where agencies have exemplary efforts use them in the development and training of other agencies' employees.

9. A COUPLE OF YEARS AGO, THE BUDGET EXAMINATION FUNCTIONS FOR OPM AT THE OFFICE OF MANAGEMENT AND BUDGET WERE REASSIGNED TO THE ASSOCIATE DIRECTOR FOR MANAGEMENT. SOME ANALYSTS CONTEND THAT THIS ACTION WAS FURTHER EVIDENCE THAT, OVER THE PAST FEW YEARS, THE AUTHORITY AND POLICY-MAKING RESPONSIBILITIES FOR PERSONNEL ISSUES -- SUCH AS PAY AND BENEFITS -- HAVE LARGELY BEEN ASSUMED BY OMB. HOW WOULD YOU RESPOND TO THIS ASSERTION?

I have no knowledge of the rationale for the budget examination functions for OPM being reassigned. I do realize that both GSA and OPM budget examination functions are under the same Associate Director. What is most important is quality budget examination. Also it is important that OPM and OMB have the proper meeting of the minds on policy-making responsibility for both agencies.

In my view, OPM has lead responsibility for the following:

- to advise the President on central human resources management policies;
- to assist the departments and agencies in recruitment and placement of a quality workforce;
- to conduct oversight of human resources management activities in the Federal government;
- to ensure effective labor-management relations with employee unions and other employee organizations;
- to assist the departments and agencies in the conduct of an effective equal opportunity program;
- to develop effective classification systems;
- to assist departments and agencies in the conduct of the performance appraisal system;
- to assist departments and agencies in the conduct of effective employee development programs; and
- to manage the retirement and health benefits programs.

OMB has lead responsibility for the following:

- review the budget request of OPM and participate in the negotiations with OPM regarding the President's budget;
- review of OPM's legislative proposals and Congressional testimony to determine the potential budget implications;
- oversee OPM's financial and administrative practices particularly with a view toward reducing cost and controlling paperwork.

The following should be a shared responsibility:

- development of policies regarding compensation and benefits of federal employees;

- development of policies and programs affecting the increased productivity of federal employees.

10. IN 1983, FORMER DIRECTOR DEVINE TERMINATED THE OPM WORKFORCE EFFECTIVENESS AND DEVELOPMENT GROUP'S ACTIVITIES TO ASSIST AGENCIES IN IMPROVING PRODUCTIVITY THROUGH MANAGEMENT ANALYSIS, IMPROVED MEASUREMENT, AND INFORMATION SHARING. SINCE THEN, OMB HAS TAKEN ON THE LEADERSHIP ROLE IN GOVERNMENTWIDE PRODUCTIVITY AND QUALITY IMPROVEMENT THROUGH EXECUTIVE ORDERS (NOS. 12552 AND 12367) ISSUED BY PRESIDENT REAGAN ESTABLISHING THE PRODUCTIVITY IMPROVEMENT PROGRAM (PIP).

(A) WHAT ROLE, IF ANY, SHOULD OPM PLAY IN FORMULATING POLICIES AND DISSEMINATING INFORMATION TO THE AGENCIES IN ORDER TO INCREASE THE PRODUCTIVITY OF THE FEDERAL WORKFORCE?

OPM and OMB should share responsibility for formulating and disseminating information to agencies in order to increase the productivity of the federal workforce. OMB has a logical interest and expertise to be involved, given its responsibility for determining cost savings for the government. OPM has a logical interest and expertise given the responsibility for recruitment, retention of a quality workforce.

- As Director of OPM, I will meet with the Associate Director for Management and develop a clear agreement on the manner in which the two agencies can effectively work together in the best interest of improving the productivity of the federal workforce.

(B) WHAT ROLE, IF ANY, SHOULD OPM PLAY IN PROVIDING AGENCIES GENERAL AWARENESS, TRAINING, AND TECHNICAL ASSISTANCE IN HUMAN RESOURCE MANAGEMENT?

- OPM should play a leadership role in providing general awareness, training and technical assistance in human resource management. Playing a leadership role means as follows:

- working with OMB, department and agency representatives to determine the training and technical assistance needs and strategies for addressing the needs.

- where applicable, arranging for or providing training and/or technical assistance.

- including as part of the evaluation effort evaluations of the effectiveness of training and technical assistance efforts.

11. IN 1987, BEFORE THE HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE, THEN-OPM DIRECTOR CONSTANCE HORNER TESTIFIED THAT OPM DID NOT INTEND TO COORDINATE OR SUPERVISE AGENCY DRUG TESTING PROGRAMS, AND OPM IS NOT NOW DOING SO. DO YOU BELIEVE THAT IT WOULD BE APPROPRIATE FOR OPM TO PERFORM SUCH A FUNCTION? PLEASE EXPLAIN.

The very complicated and sensitive drug testing program responsibilities should be divided as follows:

I. Policy development: OPM should develop the policies in consultation with Department and agency representatives - dependant upon court rulings.

II. Determination of the nature of tests to be conducted: This should be a responsibility of the Department of Health and Human Services.

III. Conduct of the tests - agencies and departments

IV. Maintenance of confidential findings - OPM

12. OPM'S OWN INTERAGENCY TRAINING CENTERS HAVE LONG BEEN IDENTIFIED UNDER OMB CIRCULAR A-76 AS COMMERCIAL ACTIVITIES THAT COULD BE CONTRACTED OUT TO THE PRIVATE SECTOR.

(A) DO YOU AGREE WITH OMB ON THIS INTERPRETATION?

It is good public policy and can be cost-effective for the government to contract-out some services previously conducted by the government. Now the difficult parts of a policy decision regarding contracting out are: a) what criteria should be used in the determination of proper activities to be contracted out; and b) on a case-by-case basis what should be the application of the criteria to a particular service.

I do not have enough information to determine whether the Interagency Training Center should be contracted out. Without having discussed the matter with OPM or OMB personnel, I would believe the following to be the proper criteria to be used:

- There is no public policy or legal reason to bar contracting out;
- Contracting out is the most cost-effective method of providing the service;
- There is an effective way to monitor the contracted out service.

Given the above-stated criteria, I would have/will ask the staff of OPM to answer the following questions before

1. What are the functions of the Interagency Training Centers? Is there any public policy reason in the future for these not to be contracted out?

2. What are your projections regarding the effectiveness and costs over a 3 to 5 year period?

3. What are private sector options? What can be projected regarding their effectiveness and costs over the next 3 to 5 years.

4. Compare the cost-effectiveness between the most acceptable of the private sector options and OPM.

(B) WHAT ARE YOUR VIEWS ON HOW TO ACHIEVE AN OPTIMUM MIX OF GOVERNMENT AND PRIVATE SECTOR RESOURCES IN CARRYING OUT OPM'S TRAINING AND DEVELOPMENT RESPONSIBILITIES?

1. The first step is to develop a clear plan regarding the training and employee development needs over the next 5 years.

2. There is next the need to analyze the effectiveness of training as it has been provided in the past - both by OPM and by other entities.

3. Then the analysis suggested in connection with any contracting out decision should take place.

My view now, without a thorough analysis of the training programs, is that it does not matter who conducts the training so long as the provider of the service meets the needs and does so in a cost-effective manner.

IV. THE FEDERAL WORKFORCE

1. THE ENHANCED SKILL LEVELS REQUIRED BY FEDERAL JOBS AS WELL AS INCREASING LABOR MARKET COMPETITION WITH THE PRIVATE SECTOR HAVE CAUSED SOME DIFFICULTIES IN FEDERAL PERSONNEL MANAGEMENT. A SURVEY IN THE RECENT GAO REPORT OF FEDERAL PERSONNEL OFFICIALS INDICATED THAT A MAJORITY FEEL OPM ITSELF IS NOT PROVIDING EFFECTIVE WORKFORCE PLANNING.

WHAT IS THE PROPER ROLE OF OPM IN THIS AREA, AND WHAT ACTIONS WILL YOU UNDERTAKE, AS DIRECTOR, TO ADDRESS THE ISSUE OF WORKFORCE PLANNING?

OPM has the responsibility to take the lead in workforce planning. "Taking the lead" means basically two things: (1) conducting actual planning activities; and (2) encouraging other agencies as well as interested private organizations to conduct workforce planning.

OPM has already taken steps to determine the demographics matched with an overview of the needs by the year 2000 in the work commissioned with the Hudson Institute. That study has been made available to Congress, the Federal Government agencies, and other interested parties and organizations. Given adequate resources, OPM can then conduct mini-studies, required to address specific future workforce problems.

Having said that OPM has a responsibility to encourage other agencies to conduct workforce planning is not enough. Work force planning must be conducted in the context of budget planning, hence both OPM and OMB should be co-leaders in the work force planning efforts.

2. THE OPINION HAS BEEN EXPRESSED THAT THE KIND OF PROFESSIONAL EMPLOYEES NEEDED IN THE CIVIL SERVICE FOR THE 1990'S MAY REQUIRE SHIFTING TO A LEANER, MORE PROFICIENT WORKFORCE. DO YOU SEE A MOVE IN THAT DIRECTION?

The workforce required in the 1990's will be dependant upon the agreed-upon responsibilities of the Federal Government. Clearly, the computerization of information exchange requires higher skills in support staff positions. The Hudson Institute noted that Federal jobs are shifting toward higher skills at a rapid rate. What will be new by the year 2000 is the occupational mix. What will not be new is the desire on the part of Congress and the executive branch to have a proficient workforce. What will change, given the concern with the budget deficit, is that there is an even more serious effort to ensure greater productivity, hence proficiency.

Whether or not the civil service will be a shifting to a leaner work force - remains to be seen.

3. IF IT IS DETERMINED TO MAKE A SHIFT FROM "QUANTITY" TO "QUALITY", DOES THE GOVERNMENT HAVE THE ABILITY TO ACCOMPLISH SUCH A STEP WITHOUT FURTHER DAMAGING THE MORALE OF THE FEDERAL WORKFORCE. DO YOU SEE A MOVE IN THAT DIRECTION?

Public servants do not see quantity and quality to be mutually exclusive concepts. One would believe that no matter the size, the federal workforce would be concerned about the quality of their work . . . and would expect recognition of the quality work performed. Public servants, in their role as citizens of the United States, recognize the serious budget deficit problem and are willing to contribute to the reduction of that deficit.

One must, however, be realistic in planning changes that affect the lives of individuals. Each employee has a set of responsibilities, hopes and dreams. Some Federal employees have meaningful options - others, for a variety of reasons, have limited job options. What will affect the morale of the Federal workforce will be sudden decreases in the size of the workforce - that appear not to be necessary or fair. What will affect the morale of the Federal workforce will be changes and no effort on the part of the institution to assist employees in transferring within or out of government.

One major responsibility of OPM and other Federal agencies, in their workforce planning will be to provide an early warning of shifts in workforce. Done correctly there should be no surprises, hence no morale problem.

4. THE SENIOR EXECUTIVE SERVICES WAS CREATED IN 1978 AS AN ELITE CORPS OF GOERNMENT'S "BEST AND BRIGHTEST" TOP LEVEL MANAGERS. WITH A LIMITED NUMBER OF SES POSITIONS AVAILABLE, DO YOU BELIEVE THERE IS ADEQUATE REVIEW TO ENSURE THAT ONCE AN EMPLOYEE ACHIEVES AN SES RATING THEY ARE UTILIZED IN THE MOST EFFECTIVE MANNER?

I have not been in a position to know whether or not the SES program meets the expectation of the 1978 legislation. However, various reports studies and evaluations, if correct, seem to suggest that:

(1) The SES represents top quality public servants.
(2) That the SES is not exclusively a corps of managers, but also includes high level technical persons, who may or may not basically manage government programs.(1)
(3) That the concept of mobility of SES has not been implemented to a great extent.(2)

Those observations have led some to conclude that the SES may not be utilized in the most effective manner. Others have concluded that the system of annual performance appraisals and merit based bonuses warrants continuation, because it is effective.(3)

NOTES

1. According to Greenberg, the issue had been raised over the past 10 years regarding coverage. One was why not set up a separate system for scientists at the senior level? She believes that there are problems, because most scients are actualy scientist-managers. (GAO, Civil Service Reform: Development of 1978 Civil Service Reform Proposals, 1988)

2. According to Greenberg, The original Task Force did believe that a number of SES members would want to change positions, for time to time, and to take on new challenges. she indicated that they wanted to facilitate, no mandate such moves. (See note #1 above)

3. The Twentieth Century Fund Task Force on the Senior Executive Service reports that the bonus system has added a welcome flexibility to top civil service salaries and has been a useful way of tracking progress and emphasizing top-flight performance. (The Government's Managers, 1987)

5. IN JUNE, 1988 THE OFFICE OF PERSONNEL MANAGEMENT RELEASED A HUDSON INSTITUTE RPORT ENTITLED, "CIVIL SERVICE 2000." THIS STUDY REPORTED THAT THE FEDERAL GOVERNMENT NEEDS TO DEVELOP BETTER STRATEGIES FSOR ATTRACTING, HIRING, TRANING, MOTIVATING AND KEEPING PEOPLE." WOULD YOU PLEASE COMMENT ON EACH OF THSE FOUR RECOMMENDATIONS URGED IN THE REPORT:

(1) DECENTRALIZED AUTHORITY AND RESPONSIBILITY FOR OPERATIONS AND HIRING.

I support the concept of decentralized authority and responsibility. There are, however, certain conditions which must be present to insure an effective decentralized system:(1)

- clear and reasonable guidelines
- orientation and training of the personnel to be responsible for the delegated activity
- a quality monitoring and evaluation system
- feedback on evaluations findings with sanctions imposed if necessary.

NOTE:

1. According to OPM staff, during FY 1988, examining delegations increased nationwide from 438 to 515. In FY 1987, delegated examining accounted for 37% of the total. In FY 1988, there were delegations which were 50% of the total. (Briefing Book, CEED-18, 1989)

(2) CONTINUED EMPHASIS ON THE HIRING, TRAINING, AND PROMOTION OF WOMEN AND MINORITIES.

Just on general principles I would be interested in the continued emphasis on the hiring, training and promotion of women and minorities - it is fair; it is right. Beyond that, anyone responsible for the recruitment and retention of quality people in the future must concentrate on the resources available. According to the Hudson Institute, the greatest percentages of new entrants in the workforce in the future are to be women, minorities and immigrants. Hudson reports:

- Almost two-thirds of the new entrants into the workforce between now and the year 2000 will be women.
- Blacks will make up 17 percent of the growth of the labor force between now and the year 2000.
- Hispanics will represent 29 percent of the growth.
- Immigrants will represent the largest share of the increase in the population and the workforce since the first World War.

(3) SUBSTANTIALLY INCREASE INTERNAL AND EXTERNAL EDUCAITON OF FEDERAL WORKERS.

The only way in which the Federal employees will keep pace with the requirements of the Federal government is that they are well-educated and well-trained. I am not sure that I would have to make the statement that there needs to be a "substantial increase in internal and external education." What is required is an analysis of the resources now available; a determination as to the extent to which those resources are cost-effective; an analysis of the needs over a three to give year period; an analysis as to the extent to which present resources match the needs; and then analyses on the manner in which any shortfalls can be met.

(4) UPGRADE FEDERAL PAY AND MAKE BENEFIT PACKAGES MORE FLEXIBLE.

I will be a part of any effort to upgrade Federal pay where required to insure better comparability with the private sector. OPM will be most effective in the role played in the pay discussions if the leadership also is sensitive to the need to reduce the deficit. What that sensitivity will require is: 1) a rigorous analysis of what pay increases are required, by which occupations, at what levels and where; 2) an analysis of the options available to the government in addressing the compensation issue; 3) consideration of trade-offs that must be made, particularly if pay is upgraded, if there is to be total increase in the President's budget.(1)

Regarding benefit packages, I will require more information on flexible benefit packages. The idea is intriguing.(2)

NOTES

1. OPM staff members report that OPM has agressively delegated authority to agencies and has supported demonstration projects to test such flexibilities as pay-banding and has proposed broadening the flexibilities across government. (Briefing Book, CEED 1, 1989)

2. The National Academy of Public Administration has noted a common thread through the requests from agencies to conduct studies. Common is the desire of managers to have greater flexibility in recruitment, salary setting, advancement, performance awards, and other key processes. (Kline at the Seminar held by GAO and Senate Governmental Affairs, Subcommittee on Federal Services, Post Office and Civil Service on March 31, 1988)

6. IN REPORT FOR THE DECENTRALIZED AUTHORITY AND MORE FLEXIBLE BENEFITS RECOMMENDED BY THE CIVIL SERVICE 2000 REPORT, IT STATES THE GOVERNMENT SHOULD DEMAND PERFORMANCE. PLEASE COMMENT.

I am a strong believer in pay for performance - that should be the case whether or not there is greater decentralization and more flexible benefits. It is true, however, that before there are changes in the system controls need to be in place to insure that the system provides the performance required.

7. ACCORDING TO CIVIL SERVICE 2000, A GROWING SHARE OF FEDERAL JOBS WILL FALL INTO THE HIGHEST SKILL CATEGORIES AND THE FEDERAL GOERNMENT WILL BE COMPETING INCREASINGLY WITH OTHER EMPLOYERS FOR A SHRINKING NUMBER OF HIGHLY QUALIFIED EMPLOYEES. WHAT STEPS DO YOU BELIEVE OPM CAN TAKE TO ENSURE THAT THE FEDERAL GOVERNMENT'S CURRENT AND FUTURE WORKFORCE NEEDS WILL BE MET?

- First, OPM and other agencies must develop a system for determining the workforce needs
- Strategies for recruiting on college campuses as well as graduate schools must be developed and implemented. OPM has already instituted a college recruiting program. That type of effort needs to be expanded.
- Targeted employee development programs must be instituted to train and cross-train those already employed.

8. A RECENT GAO SURVEY INDICATED THAT 70% OF AGENCY PERSONNEL OFFICERS INTERVIEWED DESIRED INCREASED OPM RECRUITMENT EFFORTS, PARTICULARLY WITH RESPECT TO STUDENTS AT UNDERGRADUATE INSTITUTIONS.

(A) IN JUNE OF 1988, FORMER OPM DIRECTOR CONSTANCE HORNER ANNOUNCED A RECRUITMENT INITIATIVE THAT IS TO BE IMPLEMENTED IN THE SPRING OF 1989. HAVE YOU REVIEWED THIS PLAN. AND DO YOU INTEND TO IMPLEMENT IT?

(a) I have only received an overview of the Spring 1989 recruitment initiative. I am not in a position to indicate how I would implement the plan.

(B) WHAT OTHER STEPS WILL YOU TAKE AS DIRECTOR TO ATTRACT MORE COLLEGE GRADUATES INTO THE FEDERAL WORKFORCE?

- Get the "best and the brightest" of the public service to recruit on college campses either through videos or in person. One idea might be to have a debate series conducted on college campses which covers the topic of public service versus private service or some public policy issue that sparks the interest of the college and graduate students. The purpose would be to spark the interest of the students in public service.

9. CIVIL SERVICE 2000, LEADERSHIP FOR AMERICA BY THE NATIONAL COMMISSION ON THE PUBLIC SERVICE, AND OTHER REPORTS CONCLUDE THAT INNOVATIVE PARENTAL LEAVE, FLEX-TIME, AND CHILD CARE PROGRAMS WILL BE ESSENTIAL IF THE FEDERAL GOERNMENT IS TO COMPETE WITH THE PRIVATE SECTOR IN THE LABOR MARKET.

(WHAT ROLE SHOULD OPM PLAY IN ADDRESSING THESE ISSUES GOVERNMENTWIDE?

OPM should take a leadership role in addressing those issues. That means that OPM should, possibly through the Interagency Groups and/or the Executive Resources Board develop proposals for addressing the needs. Care should be given to ensure that the most acceptable of the options would be those that are budget-neutral. Having said that, I am not sure how much further the government can go beyond its present efforts which are as follows: flexible and compressed work schedules, job-sharing, part-time employment, leave transfer, referral services for dependent care, on-site child care centers.

(B) WHAT ACTIONS AND INITIATIVES WILL YOU UNDERTAKE AS DIRECTOR IN EACH OF THESE AREAS?

1. Determine the information and views of OPM staff - receive staff decision papers and briefings on the issues.

2. Determine - through interagency meetings - the ideas of personnel officers and others on the manner in which the issues could be addressed.

3. Request that the staff research private sector response to the needs to provide staff support.

(C) DO YOU INTEND, AS DIRECTOR, TOP REVIEW AND PROPOSE CHANGES IN THE PRESENT FEDERAL LEAVE POLICY?

I would expect that at some time fairly early in my tenure as Director, if confirmed, I would review the present leave policy. That review would be conducted in a manner which would determine which leave policy(ies) were best for the welfare of the employees and were most cost-effective.

10. ARE YOU AWARE OF THE NUMBER OF POLITICAL POSITIONS AUTHORIZED BY THE CONGRESS FOR FEDERAL AGENCIES?

I am aware of the provisions of the laws regarding the authorized level of political positions in Federal agencies.

11. THE NATIONAL COMMISSION ON THE PUBLIC SERVICE CONCLUDED THAT ALTHOUGH IN COMPLIANCE WITH THE LEGAL LIMITS SET BY CONGRESS, THE INCREASING NUMBER OF POLITICAL APPOINTEES IN THE CIVIL SERVICE HAS DEMORALIZED MANY CAREER FEDERAL WORKERS BY BLOCKING PROMOTION OPPORTUNITIES. FURTHER, THE COMMISSION CLAIMS THAT WHAT THEY VIEW AS THE INCREASING POLITICIZATION OF THE CIVIL SERVICE CREATES INEFFICIENCIES BY DISTANCING CAREER PROFESSIONALS FROM HIGH-LEVEL DECISION MAKERS.

(A) WHAT ARE YOUR VIEWS ON THE COMMISSION'S ASSESSMENT?

I have reviewed the Commission's report and have the utmost of respect for those who served on the Task Force on Relations Between Political Appointees and Career Executives. As a matter of fact, my first political appointment was at the Department of Health, Education and Welfare, where The Honorable Elliot Richardson was the Secretary. He was one who knew how to get the best of all employees, irrespective of the manner of their entry into the service. I intend to discuss the Task Force's findings in greater detail with the members of the Task Force, if conformed.

My contribution to the discussion at this point is as follows: In my career in government (some time as a career employee; some time as a political employee), I found that the greatest problem was lack of communication, hence a lack of understanding and respect between career employees and political employees. The more career and political receive joint orientation and training the better the understanding. The more career and political employees develop agency goals and objectives together, the greater the tie. The more career and political employees have shared in being accountable for accomplishing the goals of the agency, the greater the respect.

(B) WHAT DO YOU BELIEVE IS OPM'S PROPER ROLE IN PROVIDING GUIDANCE FOR AND MONITORING CONVERSIONS OF POLITICAL APPOINTEES TO CAREER POSITIONS IN THE CIVIL SERVICE?

OPM has continuing responsibility for insuring that the employment system adheres strictly to the merit principles. This means that OPM must first of all provide written guidance and training material covering the proper steps in

converting employees to career positions from political positions.

OPM then has the responsibility to monitor agencies activities.

12. SOME ANALYSTS HAVE COMMENTED THAT THE PENETRATION OF WOMEN AND MINORITIES INTO MANAGEMENT AND THE TOP RANKS OF THE CIVIL SERVICE HAS BEEN SLOW. WHAT ARE YOUR VIEWS ON THIS ISSUE, AND WHAT ACTIONS, AS OPM DIRECTOR, WILL YOU TAKE TO ENCOURAGE MINORITY ADVANCEMENT IN THE CIVIL SERVICE?

When the President spoke to the SES at Constitution Hall, what was very obvious was the limited numbers of women and minorities in the hall. I then went to the numbers - they show that what appeared to be the case was the case. There may be legitimate reasons for these numbers. However, as OPM Director I will take the following steps to ensure that women and minorities have greater opportunities to move into the top ranks of management.

- review what has already been determined regarding the policies and programs required to support women in the workforce. Where applicable implement new programs and/or remove barriers to ensure the maximum opportunities are available to women no matter their family status.

- determine barriers to minorities coming into the top ranks in greater numbers. Take steps to remove any barriers that exist, whether improved upward mobility programs or greater recruitment efforts at colleges and universities for minority graduates.

13. AS A RESEARCH ANALYST FOR THE COMMISSION ON POLITICAL ACTIVITY OF GOVERNMENT PERSONNEL, YOU HELPED CONTRIBUTE TO A REPORT THAT RECOMMENDED REFORM OF THE HATCH ACT.

(A) WHAT ARE YOUR VIEWS OF THE HATCH ACT?

I still believe in the rationale for the Hatch Act. Civil service employees need to be protected from efforts to force them to give political service or tribute exists. Given the nature of politics, protections are still needed. Federal

employees should be insulated against the influence of political considerations that might damage their job tenure and importantly actions, which may not be in the public interest. Federal employees, then, should be protected against political reprisals - which were widespread under the "spoils system."

(B) DO YOU BELIEVE THAT THE 1939 STATUTE IS IN NEED OF ANY MODIFICATIONS TODAY? IF SO, WHAT CHANGES WOULD YOU RECOMMEND?

At the very least there should be steps taken to simplify, consolidate, and reduce the confusion brought about by more than 3000 rulings.

V. EMPLOYEE COMPENSATION AND PAY REFORM

1. LAST YEAR, THE FEDERAL PAY AGENT REPORTED THAT WHITE COLLAR SALARIES ARE 26% HIGHER IN THE PRIVATE SECTOR THAN IN THE FEDERAL GOVERNMENT. A NUMBER OF COMMENTATORS HAVE SUGGESTED THIS PAY GAP HAS HAD ADVERSE EFFECTS ON THE ATTRACTION AND RETENTION OF SKILLED FEDERAL WORKERS.

(A) WHAT ACTIONS WILL YOU TAKE AS OPM DIRECTOR TO ADDRESS THIS ISSUE?

I am well aware that this will be one of the most difficult issues the Director of OPM will have to face in the coming months and years. The issue will be difficult to resolve for the following reasons:

A. The nation and its leaders are very sensitive, and rightfully so, about the budget deficit. There really is no such thing as a budget neutral solution to the employee compensation problem. Therefore, a solution to the problem will have to result in either increases in the level of the deficit or reductions in programs where strong constituent groups are affected. In either event making the right decision will be most difficult, but the OPM Director must play a leadership role in identifying the options and suggesting the proper trade-offs to be made.

B. It is obvious from the most recent response of the public to the proposal to increase the pay of senior executives that the public is not convinced that public servants deserve additional pay. High on the agenda of the OPM Director must be improving the image of public servants. Improving the image of public servants cannot take place over night.

C. There have been and are now on-going studies to determine the best way to structure the compensation and benefits packages for Federal employees. Any decision to increase the pay of Federal employees now could affect later proposals to restructure the pay and benefits systems based on study findings. As OPM Director, if confirmed, I would have responsibility to monitor the on-going studies and ensure that their findings inform the decisions on the structure of the system.

D. The stakeholders in this issue are many and powerful, therefore any resolution of the issue will have to be by consensus. Consensus-building is difficult and time-consuming task of the OPM Director.

Having described my understanding of the environment within which the issue must be addressed, as OPM Director I may consider taking the following actions:

1. Review the current positions of the stakeholders on the issue. Although much has been written and testimony has been given before Congress on the issue, it will be necessary to seek to understand the points of negotiation on the issue.

2. Determine the timing of the OPM studies on the issue and determine if interim findings can inform the debate.

3. Work closely with OMB to determine what real options are available in the context of budget constraints.

4. Become a part of the Administration-team which will address the issue.

(B) DO YOU SUPPORT THE PRINCIPLE OF PAY COMPARABILITY? IF SO, WHAT STEPS CAN YOU TAKE AS OPM DIRECTOR TO MOVE TOWARDS PAY COMPARABILITY?

I support the principle of pay comparability for the following reasons: (1) It is fair. There should be no less value placed on public service, than on private service. (2) It will result in improved probability that government can compete for the "best and the brightest."

It is important, however, that it be understood that I recognize that the factors listed in response to Part (a) of this question affect how realistic it will be to move toward total comparability. Moving toward comparability will require steps similar to those required in addressing the total issue of compensation and pay. One worrisome feature of the application of the principle of comparability, however, is that the mechanical comparisons between occupational titles between public servants and the private sector may not provide the best type of information.(1) It may be necessary then to consider a review of the methods of determing comparabiltity.

NOTE

1. According to Rosen, the "principle of comparability, as now applied, ignores crucial differences between private and federal workers. Levels of responsbility, quality of personnel, the selection process, the federal investment in training its workforce, and the unique character of many government jobs underscore the problems of mechanical comparisons of occupational titles between civil servants and private sector workers. (Rosen, 1985)

2. HISTORICALLY, LIMITED CIVIL SERVICE SALARIES RELATIVE TO PRIVATE SECTOR WAGES HAVE BEEN "OFFSET" BY OTHER BENEFITS OF FEDERAL SERVICE, INCLUDING JOB SECURITY, BETTER RETIREMENT BENEFITS, AND THE "PSYCHIC VALUE" OF DOING MEANINGFUL, PUBLIC SERVICE WORK. IN THE PAST EIGHT YEARS, HOWEVER, FEDERAL EMPLOYEES AND RETIREES HAVE WITNESSED AN EROSION OF THESE BENEFITS ON AN ALMOST ANNUAL BASIS AS A PART OF BUDGET DEFICIT REDUCTION PROPOSALS. IN ADDITION, MANY COMMENTATORS HAVE NOTED AN INCREASINGLY NEGATIVE PERCEPTION OF THE CIVIL SERVICE BY THE AMERICAN PUBLIC. IN LIGHT OF THOSE DEVELOPMENTS, HOW DO YOU, AS OPM DIRECTOR, EXPECT TO FIND HIGHLY MOTIVATED PEOPLE WANTING TO WORK FOR THE FEDERAL GOVERNMENT?

I am not convinced that it is an impossible task to find highly motivated people wanting to work for the federal government. Actually the public perception about public service is confusing, hence a candidate for change through clarifications. The differing signs are as follows:

- a 1987 Gallup Organization poll underscored a high level of public expectations of government and a widespread degree of frustration, alienation, and powerlessness. Sixty-three percent of those polled said that something run by the government is usually inefficient and wasteful. (Reference: The Report of the Task Force on Public Perceptions of the Public Service to the National Commission on the Public service, 1989)
- Professor Charles Goodsell found that citizens tend to condemn government in polls that asked abstract questions about "bureaucracy," but they usually report satisfaction when they are asked about their personal experiences with public agencies. (The Case For Bureaucracy - A Public Administration Polemic, 1985 in the Task Force Report cited above.)

Now given those signs, with the right set of actions the public sector can expect to attract and retain highly motivated people. Among the "right set of actions" are:

1. Informing the public about the quality of public servants
2. Improving the development of organization goals and objectives leading to improving the statement of individual objectives and performance standards leading to improved process of performance appraisals leading to a rational system of determing rewards and sanctions.

Morale will clearly improve when more people understand what is expected of them and they are rewarded for excellence. When the morale of existing employees improves, the ripple effect will be felt in the general public which will be the source of highly motivated people wanting to work for the federal government.

3. IT IS CLEAR THAT THE FEDERAL GOVERNMENT IS EXPERIENCING VERY SERIOUS RECRUITMENT AND RETENTION PROBLEMS THROUGHOUT THE COUNTRY AND IN MANY SPECIFIC OCCUPATIONS. AS A RESULT, THE OPM HAS INCREASINGLY RELIED ON SPECIAL PAY RATES TO ALLEVIATE THESE PRESSURES. DO YOU BELIEVE THIS IS A PERMANENT SOLUTION TO THIS PROBLEM, OR HAVE YOU FORMULATED ANOTHER STRATEGY TO IMPROVE THE GOVERNMENT'S ABILITY TO RECRUIT AND RETAIN INDIVIDUALS?

In all honesty I am not clear on what is the proper solution to solving the recruitment and retention problems through the country and in many specific occupations. I am aware that OPM has relied on special pay rates to alleviate the pressures. Special pay rates may be just a band-aid or it could be the final strategy. I am only comfortable saying to the Committee that:

One of my early tasks will be to review the entire strategy for addressing the issue of recruitment and retention problems and determining whether enough information is available for developing options and then a final proposal.

If there is not sufficient information for option development, I will propose that the staff conduct further reviews or, if necessary, studies.

If there is sufficient information for option development, we at OPM will do that in conjunction with the major stakeholders. The next steps then would be the development of a consensus on the proposed option, prior to development of the Administration proposal.

4. IN A RECENT REPORT, THE NATIONAL COMMISSION ON THE PUBLIC SERVICE CALLED FOR ADJUSTMENTS IN CIVIL SERVICE PAY BASED ON THE COST OF LIVING IN DIFFERENT GEOGRAPHIC AREAS.

DO YOU SUPPORT THE CONCEPT OF LOCALITY PAY? IF SO, WHAT ROLE DO YOU THINK OPM SHOULD PLAY IN SETTING LIVING COST DIFFERENTIALS?

I am not comfortable in saying whether or not I support the concept of locality pay. On the face of it it makes sense. A similar concept has worked for the blue collar workers.

As I indicated in response to Question 3, I am anxious to review what is actually known about locality pay. It is my understanding that an OPM-commissioned study on locality pay will be completed in summer of 1989. At that time, if confirmed, I would be available to Congress to discuss what role, if any, OPM should play in setting living cost differentials.

5. HEARINGS BEFORE THE 1989 QUADRENNIAL COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES REVEALED THAT THE FEDERAL GOVERNMENT IS EXPERIENCING SPECIAL PROBLEMS ATTRACTING AND RETAINING EMPLOYEES IN TECHNICAL OCCUPATIONS. WHAT IS YOUR VIEW ON PAY DIFFERENTIALS FOR EMPLOYEES WHO WORK IN HIGHLY TECHNICAL FIELDS OR OTHER OCCUPATIONS WHERE THE GOVERNMENT HAS DIFFICULTY RECRUITING AND RETAINING EMPLOYEES?

As part of any review of the pay and benefits systems and in the context of considering a pay increase for Federal employees, the issue of pay for highly technical employees must be addressed. There is not the need for further documentation that in certain fields there is a serious problem. What is in question is whether the government should now concentrate on short term solutions to the problem or take the steps to address the problem in the long term.

If I have the luxury of my preference, I would prefer that the government now take steps to address the entire question of the recruitment and retention of all quality employees, including technical employees.

6. THE CIVIL SERVICE REFORM ACT GIVES OPM THE AUTHORITY AND RESPONSIBILITY TO ESTABLISH MERIT PAY SYSTEMS THAT LINK PAY RAISES DIRECTLY TO JOB PERFORMANCE INSTEAD OF LENGTH OF SERVICE.

(A) WHAT ARE YOUR VIEWS ON PAY-FOR-PERFORMANCE? DO YOU CONSIDER IT A WORTHWHILE EFFORT FOR THE GOVERNMENT TO PURSUE?

ANSWER

I am a strong supporter of the principle of pay-for-performance. It is not an easy principle to implement. And the Federal government had to start somewhere and that turned out to be the Performance Management Recognition System. I am aware of the following types of observations regarding the system:

- Many federal employees do not see a link between performance ratings and pay;
- Evidence of rating inflation;

Even in light of those observations, I believe that the government must pursue the concept. Probably the most difficult features are the proper determination of the performance standards and then correct performance appraisals. There must be a rigorous determination of the goals and objectives of each organizational unit. And then equally as rigorous should be the de3termination of the responsibility of each employee to the accomplishment of the goals and objectives. If those tasks are not performed properly, then the establishment of performance standards have little or no meaning.

(B) IN YOUR OPINION, WHAT ARE THE MOST SIGNIFICANT OBSTACLES TO BROADER APPLICATIONS OF PERFORMANCE-BASED PAY PROGRAMS?

ANSWER

1. That there needs to be a more effective application of the principle to the General Managers. Until that works better - and to the satisfaction of those affected - broader application will be difficult.

2. Opposition by employee organizations and individuals for a variety of reasons among which might include: a) a fear that the application of the principle will be unfair; b) a lack of understanding of how it can work; and c) a lack of understanding that in the long run it could improve the productivity, hence the likelihood that compensation would be made more comparable.

(C) IN YOUR VIEW, DOES OPM PRESENTLY DO AN ADEQUATE JOB MONITORING AGENCY PERFORMANCE APPRAISAL MECHANISMS? WHAT ACTIONS, IF ANY, CAN BE MADE TO IMPROVE OPM OVERSIGHT IN THIS AREA?

ANSWER

I do not know whether OPM does an adequate job in monitoring agency performance appraisal mechanisms. I am aware that OPM's position on the matter is that it has streamlined its evaluation program and as a result they are doing a more efficient and effective job.

If confirmed, I would be interested in hearing from OPM staff as well as the personnel directors of the departments and agencies their views on the performance appraisal mechanisms and OPM's role in monitoring the systems.

Specific questions to be asked are: How well is the performance appraisal system working? What are the successes and problems? Do we know the answer to the questions? If not, how can OPM get the answers?

If there are problems in the system, what steps should OPM take to address the problems? Training of managers? Technical assistance to the departments and agencies? Development of evaluation tools? Conduct of more evaluations, with rigorous follow-up?

7. MANY ANALYSTS HAVE SUGGESTED THAT THE FEDERAL GOVERNMENT'S BONUS SYSTEM HAS BEEN USED PRIMARILY TO RAISE THE SALARIES OF A LARGE NUMBER OF EMPLOYEES RATHER THAN TO REWARD EXEMPLARY PERFORMANCE. WHAT ARE YOUR VIEWS ON THIS ISSUE? DO YOUR PLAN TO MAKE ANY CHANGES, AS OPM DIRECTOR, TO THE BONUS SYSTEM?

ANSWER

I am aware of some of the critiques of the bonus system. Clearly, the bonus system should be used to reward exemplary performance. Prior to any further in-depth study of the issue steps can be taken to provide technical assistance to managers on the bonus system. OPM could:

- Insure that information is shared with the Cabinet Secretaries and agency heads regarding the findings on the bonus system; and

- Insure that training of managers includes modules on the whole performance appraisal and awards system.

8. ACCORDING TO GAO, OPM AS GIVEN FINAL APPROVAL FOR ONLY FOUR RESEARCH AND DEMONSTRATION PROJECTS TO EXAMINE INNOVATIVE PAY SYSTEMS IN ITS 11-YEAR HISTORY. WHILE THESE PROJECTS ARE LIMITED AND AUTORIZED BY CONGRESS, AS DIRECTOR WOULD YOU SUPPORT MORE PAY DEMONSTRATION PROJECTS?

ANSWER

I am not sure what my position would be on innovative pay systems research and demonstration projects. It may be that it will not be necessary to conduct additional projects in order to gain an understanding of the elements that may be required in revamping the system. It is also possible that we do not yet know enough and no matter the action-forcing events we must push for more research and demonstration. I just do not know. What I do know is that the Director of OPM, working closely with OMB and the various stakeholders must set as a priority issue the consTderation of the pay systems.

9. ACCORDING TO A 1987 STUDY PREPARED BY OPM, THE AVERAGE SALARY IN 1986 FOR MEN WORKING IN THE FEDERAL GOVERNMENT WAS $30,530. THE SAME FIGURE FOR WOMEN WAS REPORTED TO BE $21,190.

(A) AS DIRECTOR OF OPM,WOULD YOU BE WILLING TO ADDRESS THE QUESTIONS OF PAY EQUITY THIS STUDY RAISES BY COMMISSIONING A COMPREHENSIVE ASSESSMENT OF THE FEDERAL PAY-SETTING SYSTEM, AS RECOMMENDED BY A 1985 GAO REPORT, THAT USES BOTH ECONOMIC AND JOB CONTENT ANALYSES?

ANSWER

There is no question but that the Administration will take all steps possible to support equal pay for equal work. Also every effort will be taken to ensure that women have an equal opportunity tobe considered for all occupations at all levels. Having said that, I must share these further thoughts:

- I personally have always had a problem with the concept of comparable worth. A nation that pays exorbitant amounts to movie stars and sports figures and haggles over how much to pay teachers is in little position to analyze comparable worth for anybody.

- The entire system of determining compensation for Federal employees should be reviewed. That review will be necessary as we prepare to move into the 21st Century.

- I am in no position to comment yet on the validity of economic and job content analyses.

(B) WHAT CONCERNS, IF ANY, WOULD YOU HAVE WITH AN ASSESSMENT THAT EMPLOYED BOTH ECONOMIC ANALYSIS AND A JOB CONTENT APPROACH TO DETERMINE IF THE FEDERAL PAY SYSTEM UNFAIRLY DISCRIMINATES AGAINST WOMEN.

ANSWER

I am not yet comfortable with my knowledge of the two methodologies - job content analyses and economic analyses - to state my concerns. As indicated in response to Part A of this question, I would prefer to use the available resources to look at the entire pay system. If there are inequities in the system, those will come clear.

VI. RETIREMENT BENEFITS AND THE FEHBP

1 ~~46~~. CIVIL SERVICE 2000 RECOMMENDS THAT THE FEDERAL GOVERNMENT CONTINUE TO MOVE AWAY FROM STRUCTURED BENEFITS PROGRAMS TO MORE FLEXIBLE ONES THAT ACCOMMODATE THE CHANGING COMPOSITION AND NEEDS OF THE NATIONAL LABOR FORCE. WHAT ARE YOUR VIEWS ON THE PROS AND CONS OF THE CAFETERIA BENEFIT APPROACH FOR THE FEDERAL GOVERNMENT?

ANSWER

Though intrigued by the idea of a cafeteria benefit approach, I have little idea of overall impact of the approach in terms of a) protecting the interests of all employees; and b) the cost. The major benefit of the approach appears to be that it is more responsive to the needs of the individual employee, allowing the employees to choose those needed benefits and forego benefits that do not meet their needs. One disadvantage of such a system is that it may be extremely complicated to manage.

2. DURING THE PAST TWO YEARS, THE AVERAGE HEALTH PREMIUM FOR NON-POSTAL FEDERAL EMPLOYEES HAVE RISEN AN AVERAGE OF 31 PERCENT AND 26 PERCENT. DO YOU BELIEVE THESE INCREASES REPRESENT A FUNDAMENTAL FLAW WITHIN THE PROGRAM; AND IF SO, WHAT DIRECTION SHOULD REFORM OF THE SYSTEM TAKE PLACE?

Any evaluation of the Federal Employees Health Benefits Program must be made in the context of the rationale for and the objectives of the program. In my view, the Federal Government should provide some type program that includes health benefits coverage as an option for the following reasons:

- in order to provide a necessary service to its workforce
- in order to insure a healthy workforce
- in order to be competitive
- because it is a logical component of a compensation packag.

Two simple measures of the effectiveness of the health benefits program are: 1) that it accomplishes the objectives; 2) that it is cost-effective.

According to various critiques of the health benefits program, the factors contributing to the increase in average health premiums include: medical inflation; increased utilization; projected open season adverse selection and reserve recovery. (Groft). At least one of these factors could be the result of a fundamental flaw in the program.

That factor is the projected open season adverse selection. Given the differences in benefits in the approximately 400 plans, those employees with the possiblity of the more serious health problems are concentrated in the high cost/high benefit plans and the relatively healthy in low cost/low benefit plans. This is contra to the theory of a cost-effective group insurance plan, hence leads to the increase in cost.

It is well know that the essense of a group insurance is to pool together a large group of people representing various levels of risk so that cross subsidies occur between the sick and healthy and the entire group can be insured at a reasonable charge per individual. The present program with choice available from approximately 400 plans leads to people with the same level of risk selecting the same plan and/or option.

I am reluctant to conclude what direction a health benefits program should take. The present program is most complicated - so complicated that the Office of Personnel Management contracted out a comprehensive evaluation of the program. Although I have reviewed the report, I am not yet certain that I am in a position to agree or disagree with the findings and recommendations. Therefore, I prefer to discuss the steps I may consider to move OPM closer to decisions on health benefits reform.

Step 1. Establish a Health Benefits Program Working Group having as its purpose the review and comment on the Towers, Perrin, Forster & Crosby, Inc. Study.

- The working group would have representatives of OPM, various Federal agencies, unions and other employee organizations.

Step 2. Present for public comment options for handling the health benefits coverage.

Step 3. Working with OMB, prepare a proposal for the consideration by the President.

Step 4. Submit the President/s proposal to Congress.

3. IN APRIL 1988, THE OFFICE OF PERSONNEL MANAGEMENT RELEASED A STUDY OF THE FEDERAL EMPLOYEE HEALTH BENEFITS PROGRAM. THE STUDY IDENTIFIES MAJOR PROBLEMS IN THE STRUCTURE AND OPERATION OF THE PROGRAM, AND SUGGESTS THAT THE PROGRAM COSTS MUCH MORE THAN IF IT WERE DESIGNED DIFFERENTLY. THE REPORT MAKES SEVERAL ASSUMPTIONS WHICH UNDERLIE ALL OF THEIR RECOMMENDATIONS FOR ALTERNATIVE DESIGNS. THESE ASSUMPTIONS INCLUDE THE DEVELOPMENT OF A "SEPARATE PLAN(S) FOR MEDICARE-ELIGIBLE ANNUITANTS TAILORED SPECIFICALLY TO THEIR NEEDS." PLEASE COMMENT ON THIS FEATURE OF THE REPORT.

Health benefits programs are extremely complicated. Without extensive briefing by the staff and other experts in the field I am reluctant to comment on whether separate plans for medicare-eligible annuitants is a good or bad assumption. I am aware of the following observations of others on that and related matters.

- Metropolitan Life has noted that Federal retirees currently pay the same rates as active employees eventhough Medicare is the priary payor of benefits. They note that federl retirees are probably subsidizing active participants and that Federal retirees are becoming disatisfied with the rate increases over the last eight years. (Zoretic)

4. OPM'S STUDY OF THE FEDERAL EMPLOYEE HEALTH BENEFITS PROGRAM FOUND SERIOUS PROBLEMS NEEDING IMMEDIATE ATTENTION. HOW BEST CAN YOU, AS OPM DIRECTOR, ENSURE THAT WORKERS WILL HAVE A SUFFICIENT CHOICE OF HEALTH BENEFIT PLANS TO REFLECT THEIR PARTICULR NEEDS WHILE, AT THE SAME TIME, DISTRIBUTES THE COSTS AND RISKS EQUITABLY?

I would like to ask the Committee to allow me not to be too detailed on this question at this time. If confirmed, I will make a top priority preparing OPM to answer that question in the form of options for consideration. Among the resources to be available are: a) the Towers, Perrin, Forster & Crosby, Inc. Study; b) the GAO/CRS detailed report on the Health Benefits Program; c) reports from OPM's public hearings; d) results from the employee-retiree needs survey.

The reason that review of the Federal Employee Health Benefits Program should be a high priority is many of the conditions which contributed to the 1960 design of the program have changed. Among those changes are:

- Medicare
- Change in the ratio of annuitants to active employees
- Growth in alternative health care delivery systems

VII. RELATIONS WITH CONGRESS

1. DO YOU AGREE WITHOUT RESERVATION TO RESPOND TO ANY REASONABLE SUMMONS TO APPEAR AND TESTIFY BEFORE ANY DULY CONSTITUTED COMMITTEE OF THE CONGRESS IF CONFIRMED.

ANSWER

Yes, I agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted Committee of the Congress if confirmed.

2. DO YOU AGREE WITHOUT RESERVATION TO REPLY TO ANY REASAONABLE REQUEST FOR INFORMATION FROM ANY DULY CONSTITUTED COMMITTEE OF THE CONGRESS IF CONFIRMED?

ANSWER

Yes I agree without reservation to reply to any reasonable request for information from any duly constituted committee of the Congress if confirmed.

JOHN GLENN, OHIO, CHAIRMAN

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JOHN HEINZ, PENNSYLVANIA
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LEONARD WEISS, STAFF DIRECTOR
JO ANNE BARNHART, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

June 12, 1989

The Honorable Constance B. Newman
Director
Office of Personnel Management
1900 E Street, N.W.
Washington, DC 20415

Dear Ms. Newman:

Congratulations on your recent confirmation as Director of the Office of Personnel Management. I was pleased to have the opportunity to chair your confirmation hearing and discuss your views on the important issues facing OPM.

As I indicated at the close of the hearing, members of the Committee might ask you additional questions for the record.

I have enclosed a question from myself, as well as several from Senator Pryor. I would appreciate your expeditious response to these questions so that the Committee's record can be completed in a timely fashion.

Again, congratulations on your confirmation, and I look forward to working with you in the future.

Best regards.

Sincerely,

John Glenn
Chairman

JHG/js

Enclosures

ADDITIONAL QUESTION FROM SENATOR GLENN
TO: CONSTANCE BERRY NEWMAN
NOMINEE FOR THE POSITION OF DIRECTOR,
OFFICE OF PERSONNEL MANAGEMENT

(1) IN JANUARY 1989, THE GENERAL ACCOUNTING OFFICE (GAO) RELEASED A STUDY CALLED "MANAGING HUMAN RESOURCES: GREATER LEADERSHIP NEEDED TO ADDRESS CRITICAL CHALLENGES." YOUR PREHEARING RESPONSES INDICATE THAT YOU ARE FAMILIAR WITH THIS REPORT. AS THE TITLE SUGGESTS THE REPORT FOUND THAT OPM WAS FAILING TO PROVIDE LEADERSHIP IN A NUMBER OF IMPORTANT AREAS INCLUDING:

-- FEDERAL WORK FORCE PLANNING;

-- SPONSORSHIP AND ENCOURAGEMENT OF PAY DEMONSTRATION PROJECTS, AND;

-- OVERSIGHT OF AGENCY PERSONNEL PROGRAMS TO ENSURE BOTH COMPLIANCE WITH MERIT PRINCIPLES AND ADEQUATE HUMAN RESOURCE MANAGEMENT.

A) MANY ANALYSTS HAVE SUGGESTED THAT OPM HAS, IN EFFECT, ABDICATED ITS LEADERSHIP RESPONSIBILITY TO OMB FOR MANAGING AND IMPLEMENTING FEDERAL PERSONNEL POLICY. IS THAT A FAIR STATEMENT?

Both OMB and OPM have some type of responsibility for the development of Federal personnel policies. OPM and the departments and agencies have joint responsibilities for the management and implementation of the Federal Personnel policies. I am not yet comfortable drawing conclusions as to whether the balance of power between OMB and OPM is proper.

OMB plays a legitimate role in the personnel policy development, given its responsibility for the development of the President's budget and its mandate to improve productivity. In fact, OMB has the lead responsibility to review the OPM budget submissions in the context of the overall budget. OPM, however, should play the lead role in: advising the president on central human resource management policies, including policies concerning pay and benefits. OPM should play the lead role in ensuring that the personnel policies are implemented. OPM and OMB are equal partners in the effort to improve the productivity of the Federal workforce.

B) YOU HAVE STATED THAT LEADERSHIP IN HUMAN RESOURCE POLICY DEVELOPMENT IS, IN YOUR JUDGMENT, AN OPM FUNCTION. HOW DO YOU INTEND TO REASSERT OPM'S LEADERSHIP ON FEDERAL WORKFORCE ISSUES?

In order to assert leadership on the federal workforce issues, I intend to take the following steps.

Step 1: Work with the OPM staff to develop a catalogue of the priority issues - from the OPM perspective. This list development will have to be an on-going process, because external events could change the priority order of issues.

Step 2: Meet, on a regular basis, with the personnel officers of the various agencies and departments to develop the priority issues for the entire system, using as the discussion point the catalogue prepared by OPM.

Step 3: Work with the Assistant Secretaries for Administration of the Departments and the directors of administration for the agencies to get support for the catalogue of priority issues as developed by the personnel officers.

Step 4. Work with OMB to develop the Administration's position on priority issues.

Step 5. Once OMB and OPM agree on the Administration's position on the priority issues, work with Congress to develop policies that can become public policies.

Step 6. Communicate with the public on the federal government's position on human resource management issues.

NOTE: These steps are not, cannot be conducted in as neat an order as is outlined above, given the way in which issues arise. The fact that there is already action on some of the issues to which the Administration must develop a policy position. However, it is crucial that OPM involve all of the stakeholders at an early enough point in the process for their involvement to have an impact.

C) WILL YOU AGREE, WITHIN 90 DAYS OF CONFIRMATION, TO PROVIDE THE COMMITTEE WITH A DETAILED WRITTEN RESPONSE TO THE SPECIFIC RECOMMENDATIONS CONTAINED IN THE GAO REPORT.

I agree that within 90 days of confirmation I will provide the Committee with a detailed written response to the specific recommendations contained in the GAO Report.

ADDITIONAL QUESTIONS FROM SENATOR PRYOR
TO: CONSTANCE BERRY NEWMAN
NOMINEE FOR THE POSITION OF DIRECTOR,
OFFICE OF PERSONNEL MANAGEMENT

(1) IN HIS REMARKS TO THE SENIOR EXECUTIVE SERVICE LAST JANUARY, THE PRESIDENT TALKED ABOUT THE "NEED TO REMOVE UNNECESSARY AND COUNTERPRODUCTIVE REGULATION OF FEDERAL WORKERS AND SENIOR EXECUTIVES." HAS THE PRESIDENT OR ANY MEMBER OF HIS ADMINISTRATION CONVEYED TO YOU WHICH REGULATIONS HE FINDS UNNECESSARY AND/OR COUNTERPRODUCTIVE?

No one has conveyed to me which regulations the President finds unnecessary and/or counterproductive. In fact, I would believe it to be my job as the Director of the Office of Personnel Management, working with OPM staff and those affected in the departments and agencies, to identify and remove all regulations that are unnecessary and/or counterproductive.

(2) I AM VERY CONCERNED ABOUT THE ROLE OF OPM, VERSUS THAT OF OMB, WHEN IT COMES TO SETTING PERSONNEL -- HUMAN RESOURCES -- POLICY.

(A) WHAT IS YOUR PERCEPTION OF AN APPROPRIATE RELATIONSHIP BETWEEN OPM AND OMB?

I believe that OPM and OMB should be partners in the development of personnel - human resources -- policy. That is not to say that one of the partners should not be the senior partner.

In the actual development of human resources policy, OPM should be the senior partner. But because OMB is the senior partner in the development of the President's budget, there must be a close working relationship throughout the policy development process. All policies must be checked for budget implications. All policies must be checked to determine if they work at cross-purposes with the actions of another agency or department or with a proposed Administration initiative.

I have found that OMB and its predecessor agency, Bureau of the Budget, is the one place in the executive branch that has the most comprehensive and easiest to find information on what all of the executive branch is doing. It would be important for OPM to use that resource.

On the other hand, OMB staff will find that they will be responding to the initiatives of OPM on human resource issues, not the other way around. And that is as it should be.

B) WHILE I RECOGNIZE THAT ALMOST EVERYTHING WE DO THESE DAYS IS BUDGET DRIVEN, DO YOU ANTICIPATE HAVING TO CLEAR POLICY WITH OMB?

I anticipate using OMB as a resource in the policy development process. I anticipate hearing OMB's views on the implications of policy options on the budget. I anticipate that in those cases where a particular policy is not budget neutral OPM and OMB will either come to an agreement, or their positions will be appealed to the President. I believe that it is in the best interest of good government for OPM and OMB to work together to minimize the number of appeals to the President.

Some people would label what was described above as a clearance process. I would label the process as a partnership policy development process.

C) SINCE OMB IS IN THE CABINET AND OPM IS NOT, WILL YOU HAVE, OR HOW DO YOU INTEND TO GET THE EAR OF THE PRESIDENT?

First of all, President Bush has made it clear that he believes that the work of OPM is extremely important and that he intends to work to remove impediments to effective management and to encourage workforce creativity and will work with Federal employee unions and professional associations to make federal jobs more challenging. Given his interest I am not concerned about my ability to gain his attention on personnel management issues.

On a more mundane, but important level, I believe that I will not have difficulty getting to the President on important issues because: 1) I know the President, having worked for his election on a full time basis. And dating back to 1980, I have had the opportunity to meet with the then Vice President on a variety of issues. 2) I know the President's key staff members, having either worked with them during the election campaign or during my stint on the transition team in the Presidential Personnel Office. I believe these contacts will make it possible to get the ear of the President when we at OPM have something to say.

(3) AETNA'S WITHDRAWAL FROM THE FEDERAL EMPLOYEE HEALTH BENEFIT PROGRAM COMES AT A VERY CRITICAL TIME---OPM IS CURRENTLY INVOLVED IN NEGOTIATING NEXT YEAR'S RATES WITH THE VARIOUS CARRIERS. THE NEXT STEP IN THE PROCESS WOULD BE TO CALCULATE THE GOVERNMENT CONTRIBUTION USING THE SO-CALLED "BIG SIX" FORMULA. THEN, IN AUGUST THE CARRIERS WOULD BEGIN PRINTING THEIR BROCHURES FOR THE 1989 OPEN SEASON. NOW, HOWEVER, ONE OF THE HISTORIC "BIG SIX", THE INDEMNITY PLAN ADMINISTRATOR, IS OUT OF THE PROGRAM.

A) WHAT DO YOU PLAN TO DO, AND HOW MUCH TIME DO YOU HAVE IN WHICH TO ACT?

I do not know exactly how much time I have to act. However, I am operating on the assumption that time is of the essence and that this is an emergency because the final result will probably come only after meetings with OPM staff, representatives of stakeholders, with OMB, and with members of Congress and/or their staff.

During my first week in office I have: 1) been briefed on the issue by the Acting Director of OPM; 2) received briefing materials from OPM; 3) held a number of cursory conversations with OMB staff on the issues; 4) assigned a lawyer on my immediate staff to work full-time with the Retirement and Insurance Group, the General Counsel's Office and OMB to develop a comprehensive set of options, with the impact of each option clearly identified; 5) set a meeting with relevant OPM and OMB staff on the issue for my second week in office.

b) WILL YOU EXPLORE THE POSSIBILITY OF ANOTHER PARTY STEPPING IN AS THE GOVERNMENT-WIDE INDEMNITY PLAN ADMINISTRATOR?

I will be interested in having the options paper discussing the implications of another party stepping in as the government-wide indemnity plan administrator. The entire way in which the system operates must be evaluated and possibly changed. It is extremely important that decisions made now to handle the crisis do not adversely affect the ability to revamp the system in the near future to make it more responsive to the needs of employees and annuitants and more cost-effective.

C) WILL YOU RESIST OMB PRESSURE TO USE THIS SITUATION AS THE GROUNDS FOR MOVING TO A WEIGHTED AVERAGE FORMULA?

I do not know whether or not the weighted average formula is a good or bad approach, given all of the other alternatives. In the options paper that I have requested, there will certainly be a discussion of the pros and cons of the

weighted average formula. OPM will be discussing that approach along with the others in our discussions with OMB.

It is too early in my consideration of the issue to suggest what will be my final recommendation as the Administration's position on the issue.

4) IN YOUR ANSWERS TO THE PREHEARING QUESTIONS, UNDER THE ROLES AND RESPONSIBILITIES SECTION, YOU MENTIONED THE NEED FOR OPM TO INITIATE AND ENCOURAGE RESEARCH AND DEMONSTRATION PROJECTS. CAN YOU INDICATE WHAT YOU HAVE IN MIND? DO YOU THINK WE NEED MORE PAY DEMONSTRATION PROJECTS BEFORE GOING TO PAY BANDING OR LOCALITY PAY?

I am not comfortable drawing a conclusion as the nature of future pay demonstraiion projects until I have read the reports of those now in existence and until I have had detailed meetings on the findings of existing projects and the gaps in knowledge. It is those knowledge gaps that should be filled by research and demonstration projects.

It could be that we now know enough to take a chance on minimal across-the-board adoption of pay banding. It is also possible that we know enough to move the concept of locality pay past the demonstration stage. I just do not know.

QUESTION: DO YOU THINK DEMONSTRATION PROJECTS SHOULD BE LIMITED TO PAY AND CLASSIFICATION MATTERS OR SHOULD WE ALSO HAVE BENEFITS PROJECTS?

I believe that whenever there is a gap in an understanding of how best to proceed on compensation as well as other personnel issues, there should be the flexibility to conduct demonstration projects. My one concern is that OPM and other human resources policymakers not used the vehicle of demonstrations to avoid making the hard decisions where sufficient information on the various options is already available.

(5) IN RESPONSE TO A PREHEARING QUESTION CONCERNING YOUR RELATIONSHIP WITH CONGRESS YOU STATED THAT YOU WOULD TESTIFY AND PROVIDE INFORMATION WHEN REQUESTED BY A COMMITTEE OR MEMBER. WE HAVE SOME VERY DIFFICULT AND COMPLEX ISSUES AHEAD OF US. UNDER YOUR DIRECTORSHIP, CAN WE EXPECT OPM TO SHARE INFORMATION AND PLANS WITH COMMITTEES EVEN WHEN THERE IS NO FORMAL REQUEST.

President Bush has set the positive tone of his Administration's dealings with Congress in the first five months. It is clear that he expects his appointees to work with Congress to address the difficult problems facing this nation. I have always been more comfortable establishing an on-going communication with the Members of Congress and their staff members.

It is true that there will be some instances when intra-Administration debates are taking place and where a premature discussion outside of the Administration is not wise. When that is the case I will explain the situation. That will be the exception rather than the rule. I would plan to be open in my discussions with staff and believe that I can expect the same in return.

(6) OMB DIRECTOE RICHARD DARMAN PLANS TO EMPLOY A MANAGEMENT-BY-OBJECTIVES (MBO) SYSTEM FOR CABINET DEPARTMENTS. YOU WERE A SPECIAL ASSISTANT AT HEW DURING ELLIOT RICHARDSON'S TENURE WHEN HE FIRST EMPLOYED MBO IN A PUBLIC SECTOR SETTING. DO YOU THINK THIS RESULTS-ORIENTED MANAGEMENT SYSTEM HAS ANY APPLICATION WITHIN OPM OR IN OPM'S DEALINGS WITH OTHER AGENCIES?

I believe in the importance of a MBO system being applied across the board in the Executive Branch of government. In my view then it has application within OPM and in OPM's dealings with other agencies.

In order for the performance appraisal system to work and in order for pay for performance to work, there must exist clear statements of the goals and objectives of each organization. Then, the performance standards for each person should be tied to the goals and objectives of the organization. This must take place whether or not there is a MBO system in place. However, a MBO system assists management in its efforts to establish priorities in the context of all of the mandates and preferred activities of an organization. It will be applied by OPM.

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